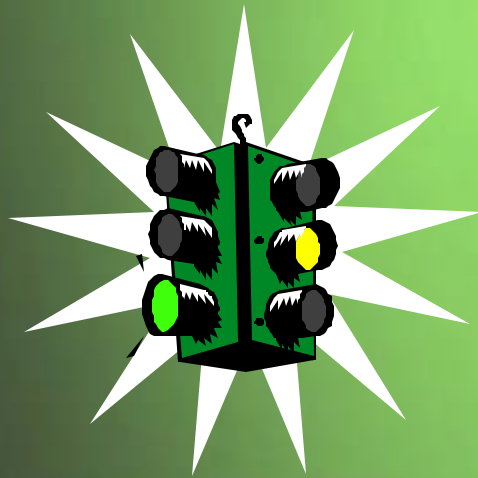


# Annual Work Plan Fiscal Year 2003



*Getting to Green*

December 2002

# Contents

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## EXECUTIVE OVERVIEW

Issue Area 1: Fraud Risk

Issue Area 2: Improper Payments

Issue Area 3: Critical Infrastructure Protection/Systems Security

Issue Area 4: Electronic Government/Service Delivery

Issue Area 5: Human Capital

Issue Area 6: Budget and Performance Integration

Issue Area 7: Management of the Disability Process

Issue Area 8: Integrity of the Earnings Reporting Process

Issue Area 9: Homeland Security, Social Security Number Integrity and Misuse

Issue Area 10: Integrity of the Representative Payee Process

# Acronyms

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The Following Acronyms Will Be Used Throughout This Annual Work Plan.

FY Fiscal Year

OIG Office of the Inspector General

SSA Social Security Administration

SSN Social Security Number

# Executive Overview

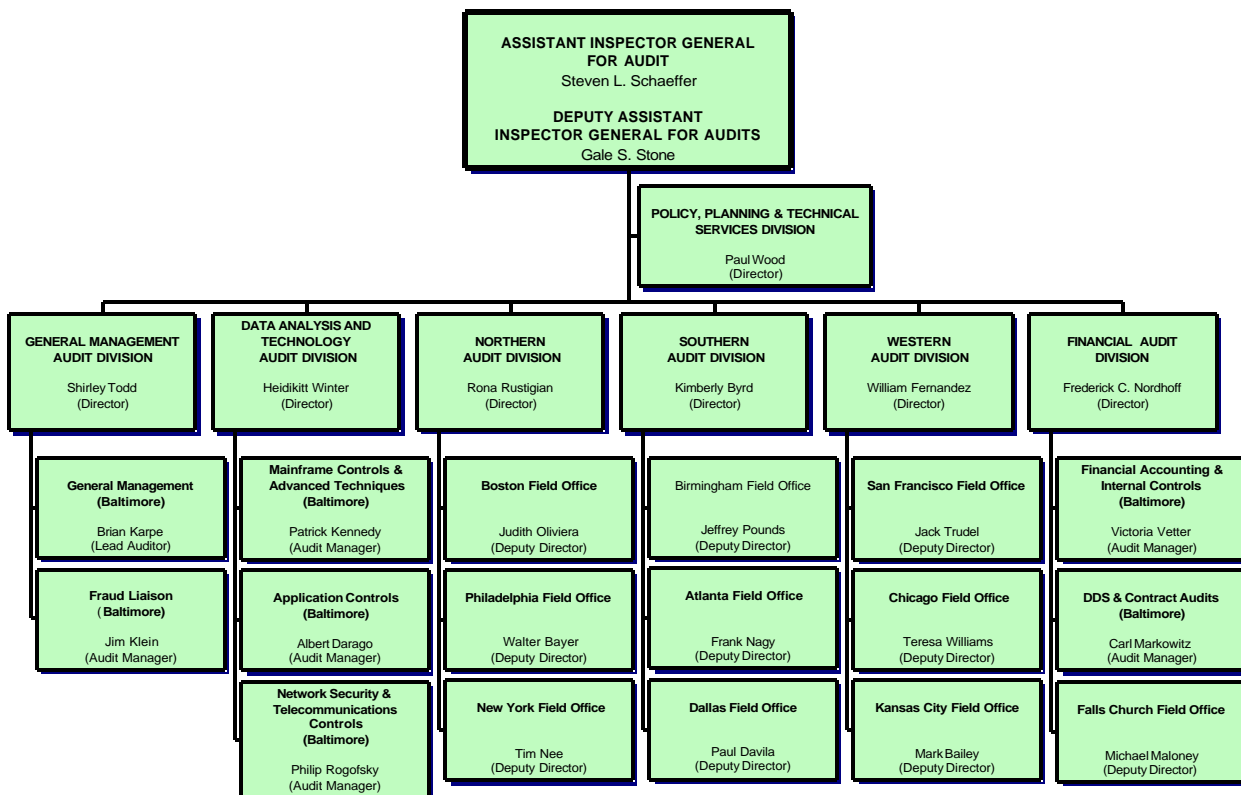
## Office of the Inspector General Mission

We improve SSA's programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

## The Office of Audit

We conduct comprehensive audits and evaluations of SSA's programs and operations. Our audits determine whether the objectives of SSA's programs are being achieved and identify which programs or activities need to be performed more efficiently. In FY 2002, we issued 88 reports containing recommendations with about \$175 million in Federal funds to be put to better use and questioned costs.

### OFFICE OF THE INSPECTOR GENERAL OFFICE OF AUDIT













# Annual Work Plan

Our Annual Work Plan (Plan) outlines our perspective of the top 10 management challenges facing SSA and serves as a tool for communicating our priorities to SSA, the Congress, the Office of Management and Budget (OMB), and other interested parties. The activities described address the fundamental goals related to SSA's mission to administer the Social Security programs and operations effectively and efficiently. Our work is prioritized to focus our resources on those areas that are most vulnerable to fraud, waste and abuse. To ensure the OIG provides a coordinated effort, we work closely with the Offices of Investigations, Counsel to the Inspector General, and Executive Operations.

Our Plan is categorized to mirror the top management challenges that cut across the Government, as outlined in the President's Management Agenda (PMA) and rated by OMB's Scorecard.

The PMA was designed to coordinate agency efforts to "address the most apparent deficiencies and focus resources where the opportunity to improve performance is the greatest." The PMA's goal is to establish a more responsible and responsive Government that is citizen-centered, results-oriented, and market-based. In addition to the PMA, OMB provides each Federal agency with a scorecard rating their performance. The scorecard is designed around a simple grading system: green for success, yellow for mixed results, and red for unsatisfactory. Below is the status of SSA's efforts, as reported by OMB's July 2002 Scorecard.

## *The President's Management Agenda* **SSA's Management Scorecard**

	Status 9/30/01	Status 7/30/02
Human Capital		
Competitive Sourcing		
E-Government		
Budget/Performance Integration		
Improve Financial Management		

**Red** - Improvement is still needed   **Yellow** - Some goals have been accomplished   **Green** - Meets all standards for success

This Plan describes 95 reviews we intend to complete and 40 reviews we intend to begin in FY 2003 in the following top 10 issue areas.

1. Fraud Risk
2. Improper Payments
3. Critical Infrastructure Protection
4. Electronic Government/Service Delivery
5. Human Capital
6. Budget and Performance Integration
7. Management of the Disability Process
8. Integrity of the Earnings Process
9. Homeland Security/Social Security Number Integrity and Misuse
10. Integrity of the Representative Payee Process

The following table demonstrates that our perspective is congruent with other key decisionmakers.

To assist us in this analysis, we crosswalked our initiatives to the President's Management Agenda, Commissioner Priorities, Social Security Advisory Board, and General Accounting Office high-risk areas to those identified by our prior and ongoing work.

<b>Crosswalk of Presidential Management Agenda to Commissioner Priorities, OIG Management Challenges, Social Security Advisory Board, and GAO Challenges</b>				
<b>President's Management Agenda</b>	<b>Commissioner Priorities</b>	<b>OIG Major Management Challenges</b>	<b>Social Security Advisory Board</b>	<b>GAO Major Management Challenges</b>
Expanded E-Government	Service	E-Government/Service Delivery Management of the Disability Process	Service to the Public Disability Reform	Service Delivery Improve the DDS Process and Return to Work
Improved Financial Performance  Competitive Sourcing  Budget and Performance Integration	Stewardship	Improper Payments Critical Infrastructure Homeland Security SSN Integrity & Misuse  Fraud Risk Earnings Reporting Representative Payees Budget & Performance	SSN Case Handling Quality  SSN Misuse	SSI High-Risk Information Security
Strategic Management of Human Capital	Staff	Human Capital	Staffing  -Hiring -Training -Management -Measurement	Human Capital

In preparing this Plan, we also solicited suggestions from SSA's Evaluation Workgroup, which is comprised of a representative from each of SSA's components and is tasked with ensuring each component's evaluation plan appropriately addresses all areas vulnerable to fraud and abuse or would assist SSA in achieving its key service delivery goals. We received a number of suggestions for inclusion in our Plan, and we have incorporated as many of them as possible.

We recognize this Plan is dynamic, so we encourage continuous feedback and additional suggestions. This flexibility enables us to meet emerging and critical issues evolving throughout the upcoming year.

For more information on this Plan, please contact the Office of Audit at (410) 965-9700.

# Fraud Risk

*Our focus on fraud risk is based on program eligibility factors individuals misrepresent to attain or maintain eligibility.*

Fraud is an inherent risk in all of SSA's core business processes: enumeration, earnings, claims, and post-entitlement. All of these processes include vulnerabilities that provide individuals the opportunity to defraud third parties, SSA, or its beneficiaries and recipients.

Examples of the eligibility factors under the Old-Age, Survivors and Disability Insurance (OASDI) program include family relationships (for dependents and survivors), school attendance (for children age 18 and older), and child in-care (for surviving spouses under age 60). Because the Supplemental Security Income (SSI) program is means-based, it includes eligibility factors that tend to be more difficult for SSA to verify and monitor. These include income, resources, living arrangements, U.S. residency, and deemed income. SSA's difficulty in monitoring eligibility factors for SSI recipients is a key reason the SSI program has been on the General Accounting Office's list of "high-risk" Federal programs since 1997. Key risk factors common to both programs are the reporting of beneficiary and recipient deaths and the monitoring of medical improvements for disabled individuals.

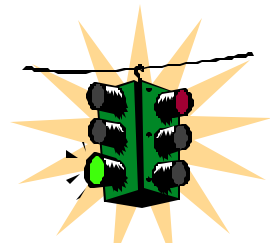
SSA has taken an active role in addressing the integrity of the OASDI and SSI programs through its "zero tolerance for fraud" initiative. Key projects under this initiative include Prisoners, Fugitive Felons, and Electronic Death Registration.

Prior audits have identified weaknesses in SSA's detection of prisoners who improperly received Social Security benefits. As a result of the expansion of data agreements with correctional facilities, SSA's Actuary estimated the total 7-year savings through 2001 at \$3.5 billion. Our audits have also disclosed the need for SSA to improve its capability to avoid improper payments to fugitive felons. One audit found that, without effective matching of State fugitive files, SSA will pay fugitives at least \$30 million in SSI payments per year. A second audit recommended that SSA propose legislation to prohibit the payment of OASDI benefits to fugitives. Our investigative efforts to administer the Fugitive Felon Program from August 1, 1996 through September 30, 2001 have identified over 45,000 fugitives who were overpaid about \$82 million. Over 5,000 of these 45,000 fugitives were arrested. As a result, we estimate about \$133 million in savings to the SSI program.

Another significant fraud risk is the detection of unreported beneficiary and recipient deaths. SSA relies on its Death Alert, Control, and Update System to identify unreported deaths from Federal and State databases through computer matches. One audit disclosed that about 881 auxiliary beneficiaries were paid about \$31 million after their deaths because the Death Alert, Control, and Update System did not properly match their records. Another audit identified 26 individuals who may have fraudulently negotiated \$429,779 in benefits to deceased beneficiaries.

SSA has no national policy to offer its workers an incentive to report fraud, waste, and abuse nor does it give a work credit to employees who identify potentially fraudulent activity. This creates little incentive for employees to detect and prevent fraud within SSA's programs.

In FY 2003, we plan to complete nine reviews and begin four reviews in this issue area.



*We plan to complete the following reviews in FY 2003*

Analysis of Multiple, Unrelated Title II Payments to the Same Bank Account	1
Follow-up on Deceased Auxiliary Beneficiaries	2
Follow-up on Prior Office of the Inspector General Prisoner Audits	3
Internal Control Review of the Remittance Process at the Social Security Administration's Mid-Atlantic Program Service Center	4
Internal Control Review of the Remittance Process at the Social Security Administration's Field Offices	5
Lessons Learned Conducting Criminal Investigations of the Social Security Administration's Programs and Operations	6
Non-Receipt of Supplemental Security Income Monthly Payment Checks	7
Use of State Bureau of Vital Statistics Records to Detect Unreported Marriages and Divorces	8
Old-Age, Survivors and Disability Insurance and Supplemental Security Income Payments to Deceased Beneficiaries and Recipients	9

*We plan to begin the following reviews in FY 2003*

The Social Security Administration's Procedures for Addressing Allegations of Mismanagement	
Controls over Doctors and Lawyers Involved in Disability Insurance Cases	
Review of Repayment Agreements under Old-Age, Survivors and Disability Insurance Program	
The Office of Hearings and Appeals' Procedures for Referring Potential Criminal Allegations to the OIG for Review	



# ***Analysis of Multiple, Unrelated Title II Payments to the Same Bank Account***

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## **Planned Start**

Carry Over

## **Objective**

To develop a methodology that can be used to detect fraudulent payments in the title II programs by looking for multiple, unrelated payments going to the same bank account.

## **Background**

On August 17, 1988, we issued an audit report Identifying Unauthorized Multiple Payments to the Same Person at the Same Address (A-04-87-03001). This audit report identified how to improve SSA's Master File Duplicate Detection Operation (MAFDUP) to identify multiple payments going to the same mailing address. MAFDUP serves as a control to help prevent fraud in the SSA's programs.

SSA's business operations have changed so that the majority of the title II benefit payments are electronically deposited to financial institutions instead of mailing paper checks. Since MAFDUP uses mailing addresses, its effectiveness is reduced as more and more benefit payments are made using electronic transfers. Our audit objective is to develop a methodology using the bank data already contained on the master beneficiary record to identify cases of possible fraud. We will perform a data analysis looking for multiple, unrelated benefit payments being deposited to the same bank account. For those cases we determine to be highly suspicious, referrals will be made to the Office of Investigations for appropriate action. We hope to develop a methodology SSA can use as an internal control against benefit fraud.

# ***Follow-up on Deceased Auxiliary Beneficiaries***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To follow up on recommendations made in our June 2001 audit of benefits paid to deceased auxiliary beneficiaries.

## **Background**

Our prior audit found that SSA could improve its death matching process to ensure that it terminates Old-Age, Survivors and Disability Insurance (OASDI) benefits when it receives death notices for auxiliary beneficiaries. We estimated that 881 deceased auxiliary beneficiaries received \$31 million in OASDI benefits after their dates of death. Additionally, we estimated that 4,152 auxiliary beneficiaries receiving OASDI benefits had a date of death recorded on SSA's Numident file even though the beneficiaries were alive. Specifically, we recommended that SSA:

- Periodically (at least annually) match its Death Master File against its auxiliary payment records to identify records in which a date of death is posted on the Death Master File but for which payment records showed current benefit payments.
- Resolve the discrepancy between the dates of death on the Numident file and the current payment status on the Master Beneficiary Record for the 2,721 records in our population that were not being reviewed by the Office of Investigations.
- Refer any cases suspected to involve fraud to the Office of Investigations.
- Remind staff to follow SSA's procedures when processing death alerts to ensure all records requiring action are identified and corrected.

# ***Follow-up on Prior Office of the Inspector General Prisoner Audits***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether SSA implemented the recommendations in two prior OIG reports on prisoners.

## **Background**

Sections 202(x)(1) and 1611(e)(1)(A) of the Social Security Act prohibit the payment of Old-Age, Survivors and Disability Insurance (OASDI) benefits and/or Supplemental Security Income (SSI) payments to prisoners.

In May 1996, we issued a report, *Effectiveness in Obtaining Records to Identify Prisoners*, that concluded that SSA had achieved only limited success in obtaining prisoner information. That report made eight recommendations to improve procedures for obtaining prisoner information, pursue alternatives to the present system, and institute legislative changes to make SSA's administrative process more effective.

In June 1997, we issued a second report, *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments*. This report concluded that payments to prisoners were not always detected or stopped because of control weaknesses in SSA's prisoner record matching procedures and in SSA's processing of prisoner alerts. We also found that SSA had only limited success in recovering overpayments made to prisoners. We made 12 recommendations to make matching procedures, alert processing and overpayment collections more effective.

# ***Internal Control Review of the Remittance Process at the Social Security Administration's Mid-Atlantic Program Service Center***

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## **Planned Start**

Carry Over

## **Objective**

To assess the adequacy of internal controls over the remittance process at the Mid-Atlantic Program Service Center to provide reasonable assurance that assets are adequately safeguarded.

## **Background**

Several years ago, SSA consolidated all remittance processing operations in one program service center. In April 2000, the Mid-Atlantic Program Service Center became the national remittance processing center for SSA. In FY 2000, the Mid-Atlantic Program Service Center processed over 600,000 remittances totaling \$280 million. This audit will address the adequacy of internal controls over the remittance process at the Mid-Atlantic Program Service Center.

# ***Internal Control Review of the Remittance Process at the Social Security Administration's Field Offices***

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## **Planned Start**

Carry Over

## **Objective**

To determine the adequacy of the internal controls over the remittances and disbursement of cash or cash equivalents at SSA field offices.

## **Background**

SSA has over 1,300 field offices nationwide. Field offices are the primary points of contact for the public. Field offices employees handle transactions pertaining to title II and title XVI benefits. Field offices receive cash and checks for a variety of reasons and requests for earning statement information. Field offices also disburse cash for either an immediate payment or a critical payment. This audit will address the adequacy of internal controls over the remittance and disbursement process of cash and cash equivalents at various SSA field offices to provide reasonable assurance that assets are adequately safeguarded.

# ***Lessons Learned Conducting Criminal Investigations of the Social Security Administration's Programs and Operations***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To provide an overview of the lessons learned in conducting criminal investigations of SSA's programs and operations.

## **Background**

SSA's mission is "To promote the economic security of the nation's people through compassionate and vigilant leadership in shaping and managing America's Social Security programs." To achieve this goal, the Agency established five strategic goals.

1. Delivering citizen-centered, world-class service.
2. Ensuring the integrity of Social Security programs, with zero tolerance for fraud and abuse.
3. Strengthening public understanding of Social Security programs.
4. Being an employer that values and invests in each employee.
5. Promoting valued, strong, and responsive Social Security programs and conducting effective policy development, research, and program evaluation.

Further, one of the five Government-wide initiatives in the President's Management Agenda is improved financial performance. This initiative focuses on improving accountability in the public through audited financial reports and reducing erroneous payment outlays.

During the 7 years that Social Security has existed as an independent agency with a designated OIG, considerable data have been amassed as a product of the operations of the OIG's Office of Investigations. These data reveal much about those aspects of SSA's benefit payment processes that were defeated by criminal activity. This audit will review these data for the valuable information that can be obtained about strengthening SSA's internal controls over these activities.

# ***Non-Receipt of Supplemental Security Income Monthly Payment Checks***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether internal controls over non-receipt transactions are adequate for double-check negotiations.

## **Background**

Non-receipt transactions occur when a Supplemental Security Income recipient reports in person, by telephone, or in writing that he/she has not received his/her monthly payment check. Upon this notice, the field office immediately queries the recipient's Supplemental Security Record to verify the payment status. If the query indicates the recipient is in current payment status and there is no indication the regular monthly payment check was cashed, the Department of the Treasury (Treasury) issues a replacement check in 7 to 10 days. SSA will then have Treasury trace the original check.

SSA also has the option of having Treasury trace the original check first and, if not cashed, then issue a replacement check. Finally, SSA can have Treasury not issue a replacement check and trace the original check. SSA can issue up to three monthly payment checks to Supplemental Security Income recipients. Besides the original and replacement check, SSA can issue an immediate payment to the Supplemental Security Income recipient if he/she claims dire need. Should both the original and replacement checks be cashed, an overpayment would appear on the recipient's Supplemental Security Record. One field office reported that 25 percent of overpayments in a given month are attributable to double-check negotiations.

# ***Use of State Bureau of Vital Statistics Records to Detect Unreported Marriages and Divorces***

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## **Planned Start**

Carry Over

## **Objective**

To determine the usefulness of State Bureau of Vital Statistics records in identifying beneficiaries who do not report their marriages and divorces.

## **Background**

SSA generally relies on beneficiaries to voluntarily report any changes in their marital status. These changes may affect their continuing entitlement to Old-Age, Survivors and Disability Insurance benefits. For example, a marriage may affect the benefits payable to surviving spouses of deceased workers and children of retired, deceased, or disabled workers. A divorce may affect the benefits payable to spouses of retired or disabled workers.

Our prior audit work has disclosed that computer matches with State Bureau of Vital Statistics records might be useful in identifying beneficiaries who have not reported their marriage or divorce. Accordingly, SSA requested that we conduct a special project to determine the effectiveness and feasibility of these computer matches. As part of this special project, SSA purchased marriage and divorce records from, and entered into matching agreements with, Kansas, Oregon, Vermont, and Georgia.



# ***Old-Age, Survivors and Disability Insurance and Supplemental Security Income Payments to Deceased Beneficiaries and Recipients***

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## **Planned Start**

Carry Over

## **Objective**

To determine the status of cases PricewaterhouseCoopers (PwC) identified in FY 2000 as having a date of death posted on SSA's numerical identification record, although the beneficiary or recipient remained in current pay status. As part of this objective, we will determine whether SSA made payments to individuals who were deceased, and the Death Master File contained information on living beneficiaries or recipients.

## **Background**

As part of SSA's FY 2000 Financial Statement Audit Management Letter, Part 2, PwC conducted integrity matches on death data. For FYs 1997 through 2000, PwC compared date of death information between the Master Beneficiary Record (Old-Age, Survivors and Disability Insurance beneficiaries), Supplemental Security Record (Supplemental Security Income recipients), and Numident record. The Numident record contains information provided by an individual when he or she applies for an original Social Security number and subsequent applications for replacement cards. The integrity matches identified records in which individuals were listed as alive and in current pay status on SSA's Master Beneficiary and Supplemental Security Records but deceased on the Agency's Numident record.

In its management letter to SSA, PwC recommended that the Agency design and implement data integrity checking programs for the full production databases. PwC made the recommendation to have SSA identify the total population of records with potential data integrity problems as well as investigate and correct instances of invalid data on individual records that may affect payment status. In addition, PwC recommended that SSA refer any suspicious transactions to the OIG for investigation. SSA agreed with the recommendations and stated it had long-range plans to strengthen data integrity. The plans included automated database clean-up efforts whenever technically feasible. As of August 2002, SSA was conducting a data integrity match against the entire beneficiary/recipient population. SSA planned to commence corrective work on the results by the end of September 2002.

# Improper Payments

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*Determining and paying accurate and timely program benefits are primary commitments of SSA, along with good stewardship of the trust fund and the General Revenue fund.*

SSA is responsible for issuing benefit payments under the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. In FY 2001, SSA issued \$456 billion in benefit payments to 52.4 million beneficiaries. Considering the volume and amount of payments SSA makes each month, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

Improper payments are defined as payments that should not have been made or were made for incorrect amounts. Examples of improper payments include inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, or payments to ineligible beneficiaries. The risk of improper payments increases in programs with (1) a significant volume of transactions, (2) complex criteria for computing payments, and/or (3) an overemphasis on expediting payments. Since SSA is responsible for issuing timely benefit payments for complex entitlement programs to 50 million individuals, SSA is at-risk of making significant improper payments.

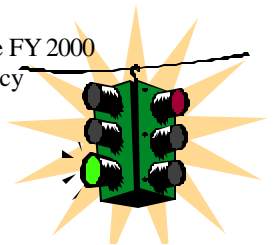
Recently, the President and Congress expressed interest in measuring the universe of improper payments within the Government. In August 2001, the Office of Management and Budget published The President's Management Agenda, FY 2002, which includes a Government-wide initiative for improving financial performance. Under this initiative, the Administration will establish a baseline of the extent of erroneous payments and require agencies to include information on erroneous payment rates in their FY 2003 budget submissions, including actual and target rates, where available, for benefit and assistance programs over \$2 billion. Using this information, the Office of Management and Budget will work with agencies to establish goals to reduce erroneous payments for each program.

Each year, SSA reports payment accuracy rates for its OASI and SSI programs<sup>1</sup> as well as the amount of actual overpayments identified. For FY 2000, SSA's stewardship report showed that the OASI accuracy rate was 99.96 percent.<sup>2</sup> In prior fiscal years, SSA did not report an accuracy rate for its DI program. However, starting in FY 2001, SSA combined a DI program payment accuracy rate with that for its OASI program. In its FY 2001 Performance and Accountability Report, SSA stated an expected 99.7 percent combined accuracy rate for its OASI and DI programs.

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<sup>1</sup> SSA's payment accuracy rate for FY 2001 is not yet available. SSA reports its payment accuracy rate about 1 year after the end of each fiscal year. For example, the FY 2000 OASI payment accuracy rate was reported in SSA's Stewardship report, issued in November 2001.

<sup>2</sup> In past reports, SSA rounded its payment accuracy rates to the nearest one-tenth of a percent; however, with the FY 2000 stewardship report, SSA began rounding to the nearest one-hundredth of a percent. Restating its FY 1999 accuracy rate to the nearest one-hundredth of a percent produces a 99.79-percent rate.



While SSA reports a payment accuracy rate for each of its programs, its payment accuracy rates do not directly correspond to the overpayments reported in SSA's financial statements. For each program, SSA's payment accuracy rate is based on a detailed analysis of a sample of cases. While this sample case review is more extensive than SSA's normal processes, the payment accuracy rate is higher than it would be if all types of overpayments were considered in calculating the rate. Specifically, the payment accuracy review does not include the medical factors that affect benefit eligibility or count all types of overpayments as errors.

As a result, SSA's payment accuracy rates are not based on the total amount of improper payments that occur in its programs and, in fact, overstate the Agency's accuracy in making payments. The lack of correspondence between SSA's accuracy rates and reported overpayments is demonstrated by the OASI payment accuracy rate for FY 2000. Using the payment accuracy rate for the OASI program in FY 2000, one would have expected \$140 million in overpayments (as shown in the table below). However, SSA reported actual OASI overpayments of \$1.3 billion in its FY 2000 financial statements.

Actual overpayments are higher than expected because, after the accuracy rate is determined, SSA learns of beneficiary circumstances that affected program eligibility that it did not know before the case accuracy review. Since the DI and SSI programs are more complex than the OASI program—and rely heavily on beneficiary self-reporting of events that affect program eligibility—we would expect SSA's overpayment rates for the DI and SSI programs to be significantly higher than the rate for the OASI program. We compared SSA's payment accuracy rates to its actual overpayment amounts for FY 1999 and estimated SSA's unknown portion of improper payments to be over \$2 billion. While neither SSA nor we have determined the exact amount of improper payments in SSA's programs, we are continuing our efforts to refine such a calculation and believe our \$2 billion estimate is valid.

Program	FY 2000 Expenditures (billions)	FY 2000 Payment Accuracy Rate (percent)	FY 2000 Actual Overpayments (billions)	FY 2001 Actual Overpayments (billions)
OASI	\$349.9	99.96	\$1.47	\$.73
DI	54.7	Not Reported	.96	.86
SSI	30.5	93.6	1.48	1.95
Total	\$435.1		\$3.91	\$3.54

SSA has undertaken many projects to identify and improve areas where it could do more to reduce improper payments and/or recover amounts overpaid. SSA has been working to improve its ability to prevent overpayments by obtaining beneficiary information from independent sources sooner and/or using technology more effectively. In this regard, SSA has initiated new computer matching agreements, obtained on-line access to wage and income data, and implemented improvements in its debt recovery program. Working with SSA, we have made great strides in reducing benefit payments to prisoners and SSI payments to fugitive felons, and these efforts continue. However,

erroneous payments, including those to deceased beneficiaries, students, and individuals receiving State workers' compensation (WC) benefits, continue to drain the Social Security trust fund.

For example, SSA has made significant improper payments to DI beneficiaries who also receive State WC payments. In general, the Social Security Act requires that SSA benefits be offset for beneficiaries who receive State-administered benefits. This reduction in benefits prevents a disabled worker from receiving more in disability payments than he/she earned before becoming disabled. Because SSA does not have direct access to State WC databases, it primarily relies on beneficiaries to voluntarily report changes in WC benefits. In 1998 and 1999 audit reports, we identified potential total dollar errors of \$600 million in overpayments and \$253 million in underpayments due to various errors in benefits involving WC. In response to our reports, SSA performed its own studies and estimated that the total past and future errors for two subsets of the population involving WC payments could reach \$1.3 billion in under- and overpayments.

In FY 2003, we plan to complete 11 reviews and begin 9 reviews in this issue area.

*We plan to complete the following reviews in FY 2003*

Detecting, Preventing, and Eliminating Unidentified Improper Payments (Overpayments) in the Social Security Administration's Disability Programs	1
Data Matches with Foreign Countries	2
Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program	3
Social Security Administration Controls over the Taxation and Suspension of Benefits to Foreign Beneficiaries	4
The Social Security Administration's Workers' Compensation Data Match with the State of Texas	5
The Social Security Administration's Controls for Identifying Disabled Beneficiaries with Earnings	6
The Social Security Administration's Determination of a High ACE For Disability Insurance Benefits Involving Workers' Compensation	7
Supplemental Security Income Recipients Who Exceed Resource Limit But Continue to Receive Supplemental Security Income	8
Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000	9
Workers' Compensation: The Social Security Administration Needs to Address Pending Workload	10
Status of the Payment Accuracy Task Force's 1997 Through 2000 Recommendations	11

*We plan to begin the following reviews in FY 2003*

Follow-Up Review of School Attendance by Child Beneficiaries Over Age 18	
Existence of State Workers' Compensation Payments Not Considered by the Social Security Administration When Disability Insurance Benefits Are Calculated	
The Social Security Administration's Processes for Discontinuing Benefit Payments and Waiving Overpayments Following Disability Cessation	
The Social Security Administration's High Error Profiling Process for Redeterminations	
Overpayments to Supplemental Security Income Recipients Receiving Title IV-E Payments	
The Social Security Administration's Controls over the Title XVI Waiver Process	
Impact on the Social Security Administration's Programs When Incorrect Social Security Numbers Are on Auxiliary Beneficiaries' Master Beneficiary Record	
Unreported Workers' Compensation Effects Accuracy of Disability Insurance Benefits	
Supplemental Security Income Payments to Children Residing in Institutions	

# ***Detecting Preventing and Eliminating Unidentified Improper Payments (Overpayments) in the Social Security Administration's Disability Programs***

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## **Planned Start**

Carry Over

## **Objective**

To identify the potential universe of unidentified improper payments (overpayments) in SSA's Disability Insurance and Supplemental Security Income (SSI) programs and provide recommendations to minimize these overpayments.

## **Background**

SSA pays disability benefits under titles II and XVI of the Social Security Act. Under title II, the Old-Age and Survivors Insurance and Disability Insurance programs provide benefits to retired and disabled workers, including their dependents and survivors. Under title XVI, the SSI program provides benefits to financially needy individuals who are aged, blind, or disabled.

Allegations of individuals obtaining improper payments under SSA's programs have recently been the subject of media reports, congressional hearings, and legislative actions. These allegations have focused primarily on concerns about improper payments within the SSI and Disability Insurance programs. In FY 2000, about 40 percent of the allegations the SSA Fraud Hotline received were related to the SSI and Disability Insurance disability programs. Recently, the President and Congress expressed interest in measuring the universe of improper payments within the Government.

In August 2001, the Office of Management and Budget published the President's Management Agenda, FY 2002, which includes a Government-wide initiative for improving financial performance. Under this initiative, the Administration will establish a baseline of the extent of erroneous payments and require that agencies include in their FY 2003 budget submissions information on erroneous payment rates, including actual and target rates, where available, for benefit and assistance programs over \$2 billion. Using this information, the Office of Management and Budget will work with agencies to establish goals to reduce erroneous payments for each program.

# ***Data Matches with Foreign Countries***

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## **Planned Start**

Carry Over

## **Objective**

To determine the availability of data in foreign countries SSA could use to identify changes that may impact a beneficiary's right to, or amount of, Old-Age, Survivors and Disability Insurance benefits.

## **Background**

At the end of Calendar Year 1999, there were approximately 385,000 Old-Age, Survivors and Disability Insurance beneficiaries living in foreign countries. These beneficiaries were receiving about \$177 million in monthly benefit payments (\$2.12 billion, annually). SSA primarily relies on self-reporting to determine whether an event has occurred that would affect the right to, or amount of, these benefits. This self-reporting takes place on an ad hoc basis when an event occurs or is reported on the enforcement questionnaire. All beneficiaries with a representative payee receive the questionnaire each year. Beneficiaries who do not have a representative payee receive questionnaires annually or biennially, depending on their country of residence or the type of benefit they receive.

Canada contains the largest population of beneficiaries in current pay status. Additionally, Ireland and England maintain sizable beneficiary populations, have records available in English, and have an existing Totalization Agreement with SSA. Each country maintains death records that contain information that may impact a beneficiary's benefit amount.

# ***Interim Assistance Reimbursement to Los Angeles County, California, Under the Supplemental Security Income Program***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether Los Angeles County Department of Public Social Services (1) calculates and deducts the correct amount from the retroactive Supplemental Security Income (SSI) payments received from SSA and provides the balance to the recipient timely and (2) returns to SSA any excess amounts that could not be remitted to the recipient.

## **Background**

In 1974, the Congress established the SSI program under title XVI of the Social Security Act. The program provides a minimum income level to financially needy individuals who are aged, blind, or disabled. Aged, blind, or disabled individuals with income and resources below established limits may qualify for benefits under the SSI program upon filing an application with SSA.

Many SSI applicants need financial aid before SSA can establish eligibility. Therefore, States may enter into an agreement with SSA whereby the States provide the individual interim assistance from State funds. Upon determining the applicants' eligibility for SSI, SSA reimburses the State or local government for payments made to recipients from State funds. If the individual is found to be ineligible, SSA is not liable for the interim assistance provided by the State. This coordinated Federal/State program is called the Interim Assistance Reimbursement Program. SSA does not participate in the cost to administer the Interim Assistance Reimbursement Program. During State FYs July 1, 1999 through June 30, 2001, SSA made Interim Assistance Reimbursement-related payments totaling about \$459 million to 38 States and the District of Columbia.



# ***Social Security Administration Controls over the Taxation and Suspension of Benefits to Foreign Beneficiaries***

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## **Planned Start**

Carry Over

## **Objective**

To determine how effectively SSA deducts taxes and stops payment to foreign beneficiaries who have lived outside the United States for 6 consecutive months.

## **Background**

SSA pays nearly \$2 billion a year to approximately 500,000 beneficiaries living outside the United States. Under 1983 amendments to the Social Security Act, SSA must, with certain exceptions, withhold taxes from up to 85 percent of the monthly Social Security benefit of non-citizens living outside the country. Since December 1983, SSA has mainly deducted this tax from the benefits of non-citizens who are not a legal resident of the United States or not living in 11 countries that have tax treaties with the United States.

Furthermore, alien non-payment provisions of the Social Security Act require SSA to stop paying benefits to non-citizens when they leave the United States for 6 consecutive months or longer. Benefits stop in the 7<sup>th</sup> month following their departure. In addition, payments cannot be paid to beneficiaries residing in certain countries.

# ***The Social Security Administration's Workers' Compensation Data Match with the State of Texas***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate the results of the Texas match to establish the extent of unreported workers' compensation (WC) benefits, determine the impact on SSA's Disability Insurance benefits, and assess SSA's resulting decision on performing additional data matches in other State jurisdictions.

## **Background**

In response to a prior OIG recommendation, SSA entered into an agreement with the State of Texas to provide SSA State WC records from 1991 to 1998. SSA will match the State's WC data against payments being made to title II Disability Insurance beneficiaries in an attempt to identify beneficiaries who failed to report WC or changes in WC status. Changes in State WC benefits can impact the monthly Disability Insurance benefit payments because the WC offset provisions cause both over- and underpayments. Based on the success of this pilot match, SSA will ascertain the viability of pursuing other State matches.

# ***The Social Security Administration's Controls for Identifying Disabled Beneficiaries with Earnings***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine the adequacy of SSA's controls over identifying unreported wages for beneficiaries whose entitlement is based on a disability.

## **Background**

The Disability Insurance program allows disabled individuals to earn a certain level of wages. However, SSA requires that individuals earning the wages report this information so disability payments can be appropriately adjusted to reflect these wages. Nonetheless, individuals often fail to report their wages to SSA. As a result, SSA periodically notifies the field offices and program service centers when a Disability Insurance beneficiary has reported wages that are not reflected on the individuals' entitlement records. The program service centers and field offices are expected to verify the information in the alerts; determine whether an individual is still entitled to benefits; and, at a minimum, reduce future payments if the wages are confirmed.

# ***The Social Security Administration's Determination of a High ACE For Disability Insurance Benefits Involving Workers' Compensation***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether workers' compensation (WC) payments deemed not offsettable because of a high ACE (Average Current Earnings) were accurately calculated and the impact on the trust fund if Disability Insurance (DI) benefits were incorrectly paid.

## **Background**

The Social Security Act (Act) requires that the combined benefits from DI and WC be reduced (offset) so the combined benefits do not exceed the larger of (1) 80 percent of the worker's pre-disability earnings or (2) the total family benefits allowable before an offset. Therefore, if the worker receives both DI and WC, but the total benefits do not exceed one of the two limits, no offset will occur in DI benefits. This is referred to as a high ACE.

SSA will determine whether no offset is applicable based on WC either alleged or verified. If beneficiaries allege an amount that will not result in an offset, they are held responsible if such benefits change or are inaccurate and subsequently result in an overpayment.

In December 1997, the Office of the Actuary reported over 168,000 DI cases with a high ACE. By December 2000, the total number had grown to over 197,000 DI cases with high ACE.

# ***Supplemental Security Income Recipients Who Exceed Resource Limit But Continue to Receive Supplemental Security Income***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine whether SSA suspends Supplemental Security Income (SSI) payments to recipients with representative payees (Rep Payee) when recipients exceed the \$2,000 resource limit and calculates the amount of SSI overpaid when the resource limit is exceeded.

## **Background**

Under the SSI program, a recipient is limited to \$2,000 in resources to remain eligible for benefits. If the recipient exceeds this resource limit, payments to the recipient are suspended. Such payments will resume if the recipient's resources later fall below the limit. Since the representative payee (Rep Payee) is responsible for notifying SSA of any event that affects the recipient's right to receive payments, the Rep Payee must notify SSA if a recipient's resources exceed the limit in any given month.

Recent financial-related audits of the Rep Payees found that SSI recipients continue to receive payments when their resources exceed the \$2,000 limit. For example, during an audit, we found that, in 7 of 63 cases, the Rep Payee continued to receive \$22,774 in SSI payments for recipients who had exceeded the resource limit.

# ***Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate title II Disability Insurance (DI) underpayment errors exceeding \$70,000 discovered during SSA's clean-up of the workload involving a workers' compensation (WC) offset.

## **Background**

Since 1998, we have issued three reports on title II DI beneficiaries with WC offset. As a result of these prior audits, SSA acknowledged problems with the WC workload and formed a work group charged with significantly improving the accuracy of DI payments involving WC. One action SSA took was to redevelop and reverify the WC offset calculations of beneficiaries who met specified criteria.

As of July 2002, SSA had cleaned up 105,958 (94 percent) of the 112,230 cases identified in its population. Of the cases completed, SSA found 57,217 individuals who were underpaid, and 20 of these cases had underpayments exceeding \$70,000. We will review these cases to determine whether SSA accurately developed and calculated the dollar errors in these cases and made appropriate corrections to the master beneficiary record.

# ***Workers' Compensation: The Social Security Administration Needs to Address Pending Workload***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate the status of workers' compensation (WC) cases SSA has identified as pending.

## **Background**

WC is a system of compensation for persons injured while working or who suffer occupational diseases. WC programs exist in all States and operate according to State law. Generally, each State and the District of Columbia require employers to provide insurance to compensate injured workers and report on work-related injuries. Under specific conditions, the Social Security Act requires SSA benefits to be offset for beneficiaries who receive Federal, State or locally administered WC benefits. SSA field offices and program service centers share responsibility for securing information on workers' compensation payments and determining the effect on title II disability benefits is a responsibility shared between the field offices and program service centers.

# ***Status of the Payment Accuracy Task Force's 1997 Through 2000 Recommendations***

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## **Planned Start**

Carry Over

## **Objective**

To summarize SSA's self-reported implementation actions and self-assessed impact of the Payment Accuracy Task Force recommendations for (1) reducing opportunities for payment inaccuracies and (2) improving the efficiency of program operations.

## **Background**

In 1996, a collaborative effort between the OIG and SSA formed an inter-component Payment Accuracy Task Force to help improve the payment accuracy. A primary impetus for creating the Task Force was the designation of Supplemental Security Income program as a high-risk area due to overpayments in excess of \$1 billion dollars, annually. An Associate Commissioner-level Steering Committee determines the specific payment error category to be addressed and charts inter-component issue teams to determine the reasons for the payment errors and develop agency-wide recommendations for program, policy, systems and operational improvements. To date, there have been four issue teams addressing payment error categories for Old-Age and Survivors Insurance, Earnings Records, Supplemental Security Income Earned and Unearned Income, and Old-Age and Survivors Insurance Relationship and Dependency.

In January 2001, the Staff Director on the Congressional Subcommittee for Social Security requested status on the implementation and impact of the Payment Accuracy Task Force recommendations.



# Critical Infrastructure Protection/Systems Security

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*Strong systems security and controls are essential to protecting SSA's critical information infrastructure.*

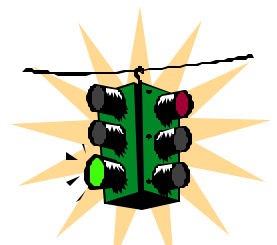
The Government has a major responsibility for public health and safety. As a result, dramatic and widespread harm would result should its systems be compromised. Therefore, it is imperative that the Nation's critical information infrastructure, which is essential to the operations of the economy and Government, be protected. These systems include, but are not limited to, telecommunications; energy; banking and finance; transportation; water systems; and emergency services, both Federal and private. Many of the Nation's critical infrastructures have historically been physically and logically separate systems that had little interdependence. Through advances in information technology and improved efficiency, however, these infrastructures have become increasingly automated and interconnected. These same advances have created new vulnerabilities to equipment failures, human error, weather and other natural causes, and physical cyber attacks.

Addressing these vulnerabilities will require flexible, evolutionary approaches that span the public and private sectors, and protect both domestic and international security. Presidential Decision Directive 63 (PDD-63), issued in 1998, requires that Federal agencies identify and protect their critical infrastructure and assets. One of SSA's most valuable assets is the information it has been assigned to complete its mission. SSA is depending on technology to meet the challenges of ever-increasing workloads with fewer resources. A physically and technologically secure Agency information infrastructure is a fundamental requirement.

With the explosive growth in computer interconnectivity comes the risk of disrupting or sabotaging critical operations, reading or copying sensitive data, and tampering with critical processes. Those who wish to disrupt or sabotage critical operations have more tools than ever.

SSA's current information security challenge is to understand system vulnerabilities and how to mitigate them. At SSA, this means ensuring its critical information infrastructure, such as the Internet and access to the networks, is secure. By improving systems security and controls, SSA will be able to use current and future technology more effectively to fulfill the public's needs. The public will not use SSA systems if they do not believe those systems are secure.

SSA addresses critical information infrastructure and systems security in a variety of ways. It created a Critical Infrastructure Protection work group that continually works toward compliance with PDD-63. The work group has created several components Agency-wide to handle systems security. SSA also routinely sends out security advisories to its staff of 65,000 and has hired outside contractors to provide expertise in this area.



Our work has identified several areas where SSA needs to ensure the security of its information. With a variety of challenges on the horizon, SSA needs to address the following issues:

- lack of a comprehensive approach;
- continued weaknesses in SSA's overall information protection control structure, as identified by PricewaterhouseCoopers;
- internal control weaknesses that provide opportunity for unauthorized access to confidential information;
- limited review and analysis of system intrusion data; and
- risks associated with providing service over the Internet.

In FY 2003, we plan to complete eight reviews in this area.

*We plan to complete the following reviews in FY 2003*

Fiscal Year 2003 Government Information Security Reform Act	1
General Controls Review of the Washington Disability Determination Services	2
President's Council on Integrity and Efficiency Phase II	3
Project Matrix Step 2—National Computer Center	4
Project Matrix Step 2—Supplemental Security Income	5
The Social Security Administration's Use of Encryption Technology to Protect Information Assets	6
Management Advisory Report: The Social Security Administration's Oversight of the Disability Determination Services' Systems Security	7
Management Advisory Report: Physical Security for the Social Security Administration's Laptop Computers, Cellular Telephones, and Pagers (Limited Distribution)	8

# ***Fiscal Year 2003 Government Information Security Reform Act***

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## **Planned Start**

3<sup>rd</sup> Quarter FY 2003

## **Objective**

To review SSA's compliance with the Government Information Security Reform Act.

## **Background**

On October 30, 2000, the President signed into law the FY 2001 Defense Authorization Act (P.L. 106-398) including title X, subtitle G, *Government Information Security Reform*. The Act amends the Paperwork Reduction Act of 1995 by establishing a new subchapter on Information Security. The Act primarily addresses the program management and evaluation aspects of security. It covers unclassified and national security systems and creates the same management framework for each. At the policy level, the two types of systems remain separate. The Act became effective on November 29, 2000 and sunsets in 2 years. The Office of Management and Budget (OMB) provides guidance to agencies on carrying out the Act. The guidance focuses on unclassified Federal systems and addresses only those areas of the legislation that introduce new or modified requirements. The Act requires the following for both unclassified and national security programs:

- annual agency program reviews;
- annual Inspector General evaluations;
- agency reporting to OMB the results of Inspector General evaluations for unclassified systems and audits of Inspector General evaluations for national security programs; and
- an annual OMB report to Congress summarizing the material received from agencies.

# ***General Controls Review of the Washington Disability Determination Services***

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## **Planned Start**

Carry Over

## **Objective**

To audit the general and application controls environment at selected Disability Determination Services as they relate to the administrative cost systems. This assessment will be used to support our administrative cost audit.

## **Background**

Disability Determination Services process and store sensitive SSA data that must be protected from inappropriate or unauthorized access, use, or distribution. The Disability Determination Services are expected to implement and follow security policies that meet SSA's minimum computer security requirements.

# ***President's Council on Integrity and Efficiency Phase II***

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## **Planned Start**

3<sup>rd</sup> Quarter FY 2002

## **Objective**

To review SSA's implementation of policies and procedures protecting its cyber-based assets.

## **Background**

This is part of a President's Council on Integrity and Efficiency Government-wide review of compliance with Presidential Decision Directive 63. Phase I reviewed development of policies and procedures to protect the agency's cyber-based assets. Phase III reviewed development of policies and procedures to protect the Agency's physical assets. Phase IV will review implementation of policies and procedures protecting its physical assets.

## ***Project Matrix Step 2—National Computer Center***

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### **Planned Start**

3<sup>rd</sup> Quarter FY 2002

### **Objective**

To identify and review the National Computer Center interdependencies.

### **Background**

In response to Presidential Decision Directive 63, the National Critical Infrastructure Assurance Office established Project Matrix to coordinate analyses of the Government's dependencies on critical infrastructure. Project Matrix is designed to assist select Federal agencies and departments in prioritizing their physical and cyber-assets to enhance security.

Step One of the Matrix was to identify relevant Presidential Decision Directive 63 assets. Step Two of the Matrix is to develop and analyze the business processes associated with the assets identified in Step One to highlight significant public and private sector interdependencies and points of failure.

## ***Project Matrix Step 2—Supplemental Security Income***

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### **Planned Start**

1<sup>st</sup> Quarter FY 2003

### **Objective**

To identify and review National Computer Center interdependencies.

### **Background**

In response to Presidential Decision Directive 63, the National Critical Infrastructure Assurance Office established Project Matrix to coordinate analyses of the Government's dependencies on critical infrastructure. Project Matrix is designed to assist select Federal agencies and departments in prioritizing their physical and cyber-assets to enhance security.

Step One of the Matrix was to identify relevant Presidential Decision Directive 63 assets. Step Two of the Matrix is to develop and analyze the business processes associated with the assets identified in Step One to highlight significant public and private sector interdependencies and points of failure.



# ***The Social Security Administration's Use of Encryption Technology to Protect Information Assets***

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## **Planned Start**

3<sup>rd</sup> Quarter FY 2002

## **Objective**

To determine whether SSA is complying with established guidance for the use of encryption in protecting the transmission and storage of its sensitive information.

## **Background**

SSA's distributed data processing environment requires that it transmit sensitive information over telecommunication lines. If those lines are not adequately protected, unauthorized individuals may intercept and monitor transmissions, which would compromise information confidentiality and possibly information integrity and availability if system passwords are intercepted. Like transmitted information, stored data may be subject to compromises of confidentiality, integrity and availability if not adequately protected.

A key method of providing protection is by using cryptographic tools in conjunction with logical access controls, such as personal identification numbers and passwords. Encryption renders data unintelligible to unauthorized users and helps protect the integrity of transmitted or stored data. It is especially useful in network environments. SSA will increase its use of encryption as it makes service delivery applications increasingly accessible to the public.

# ***Management Advisory Report: The Social Security Administration's Oversight of the Disability Determination Services' Systems Security***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate the effectiveness of SSA's Disability Determination Services' (DDS) systems security including monitoring capabilities, logical access controls, and suitability.

## **Background**

SSA is primarily responsible for implementing the general policies needed to process Disability Insurance (DI) and Supplemental Security Income (SSI) disability claims. SSA is subject to various information security and privacy related statutory laws and regulations, Office of Management and Budget guidance, best practices from the National Institute of Standards and Technology (NIST), and SSA's internal policies and procedures.

Section 1106 of the Social Security Act established SSA's commitment to the confidentiality of information in SSA records even before automated information management systems existed. The Privacy Act of 1974 provides guidance to Federal agencies concerning the collection, use and disclosure of personal information. Regulations concerning Federal and State responsibilities in administering the disability programs require that States comply with the confidentiality of information, including the security of systems and records and pertinent written guidelines.

In August 2001, SSA issued the *DDS Security Document*, which updated the security requirements for DDSs. However, organizations were given until September 30, 2001 to fully implement its provisions or, at the minimum, to have documented plans in place for implementing the provisions. In the latter case, full implementation should be accomplished as soon as possible.

Information Security is critical to SSA in achieving its strategic goals of "delivering customer-responsive world-class service" and "ensuring the integrity of SSA programs, with zero tolerance for fraud and abuse." SSA is required to protect sensitive data in Federal automated information systems. Intrusion Detection Systems have gained acceptance as a necessary addition to every organization's security framework. NIST's *Special Publication on IDSs* defines intrusion detection as the process of monitoring the events occurring in a computer system or network and analyzing them for signs of intrusions, such as attempts to compromise the confidentiality, integrity, availability, or to bypass the security mechanisms of a computer or network. Intrusions result when attackers access the systems from the Internet, authorized users attempt to gain additional privileges for which they are not authorized, and authorized users misuse the privileges given them. Intrusion detection allows an organization to protect its systems from the threats that come with the increased linkage of computers and reliance on information systems.

# ***Management Advisory Report: Physical Security for the Social Security Administration's Laptop Computers, Cellular Telephones, and Pagers (Limited Distribution)***

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## **Planned Start**

Carry Over

## **Objective**

To review SSA's physical controls and accountability procedures over laptops, pagers and cellular telephones.

## **Background**

As technology advances, experts believe that the next phase is mobile computing. The ability to perform work anywhere, at anytime is the next big area. Laptop or portable computers are key components in this move. Because of their size and value, laptops have become a popular item for theft. Computer Security Institute estimated that laptop theft was suffered by 57 percent of firms in 1999. They state that only virus attacks are a more prevalent security problem. In 2000, over 387,000 laptops were stolen, up 28 percent from the prior year. Computer World magazine estimates that laptop theft adds \$150 to the price of every laptop.

In addition to the monetary loss of the laptops, laptop theft can also cause the loss of valuable information. Since the laptop is a work tool, it often contains confidential information that has been entrusted to SSA such as individuals' Social Security numbers, addresses and earnings records. Last year, the Federal Bureau of Investigation issued a \$25,000 reward for information leading to the recovery of a U.S. State Department laptop, which contained highly classified information.

# ***Electronic Government/Service Delivery***

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*SSA needs to balance its delivery and stewardship roles.*

SSA has made a commitment to providing the public world-class service. Providing quality service to the public remains a critical management issue facing SSA, and SSA recognizes there are a number of significant service delivery problems that need attention. One such problem is the complexity of the programs SSA administers. SSA's workloads will continue to increase as "baby boomers" reach retirement age, challenging SSA to find ways to keep pace. As the Social Security Advisory Board reported, the result has been, and will continue to be, uneven service. Over the next 10 years, however, it faces some daunting challenges, which it must begin to address immediately. Some major challenges the Agency sees on the road ahead are discussed below.

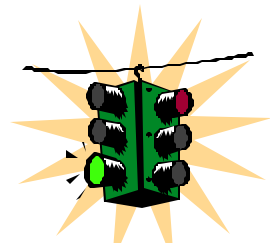
By 2010, workloads will swell to unprecedented volumes. The most significant factor contributing to this change will be the aging of the baby-boom generation (those born from 1946 through 1964). Along with the workload increase, the incredible pace of technological change will have a profound impact on both the public's expectations and SSA's ability to meet those expectations.

SSA will experience a traumatic loss of experienced employees by 2010. Over 28,000 SSA employees will be eligible to retire, and another 10,000 are expected to leave the Agency for other reasons. This retirement wave will result in a significant loss of institutional knowledge.

The critical loss of institutional skills and knowledge, combined with greatly increased workloads at a time when the baby-boom generation will require its services, must be addressed by succession planning, a strong recruitment effort and the effective use of technology. Future service delivery challenges include providing the public electronic services over the Internet and telephone, 24 hours a day, 7 days a week. It will be the norm for business transactions to be processed electronically at the first point of contact.

The Internet will be the foundation of the Agency's future information technology initiatives. The United States leads the world in Internet use, with over 110 million users. By some estimates, worldwide Internet traffic is doubling every 100 days. The baby-boom generation is more technologically aware than any previous generation. Three-quarters of Americans under age 60 have used the Internet at work or at home. We are only beginning to see the extent of changes the Internet will bring. Expanded and improved electronic service delivery is also a mandate of the President's Management Council, as well as the Government Paperwork Elimination Act, and will be a dramatic step toward implementing an electronic Government.

In 2003, the Agency will allow the public to file title II disability claims electronically through the Internet, and it expects to have in place eDib nationally by 2004. By 2005, SSA will make 60 percent of its customer-initiated services available electronically through automated telephone services or the Internet. Throughout this decade, SSA is also expected to develop an Internet service delivery channel that is fully integrated with its telephone business channel. This will allow its public and business partners to conduct business transactions with the Agency electronically.



There are always risks involved in conducting electronic commerce, despite the Agency's efforts to identify and mitigate them. SSA will have to keep privacy and security concerns at the forefront of its planning efforts by continuing to work closely with privacy experts and consultants. SSA will have to use a variety of tools to protect the public's information, such as data matching, personal identification number/Password, Public/Private Key tools, encryption, firewalls, digital signatures and Biometrics. Secure access to SSA's facilities, its multi-platform environment and secure electronic access to SSA's records will be a top priority to ensure it complies with Presidential Decision Directive 63, which deals with critical infrastructure protection, and Presidential Decision Directive 67, which is concerned with continuity of operations.

In FY 2003, we plan to complete seven reviews and begin one review in this area.

*We plan to complete the following reviews in FY 2003*

Controls over the Social Security Administration's Accelerated Electronic Disability System	1
Inventory Review at the Wilkes-Barre Folder Servicing Operation	2
Management Advisory Report—Fiscal Year 2002 Quick Response Activities Summary Report	3
Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Corporations)	4
Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Federal Agencies)	5
Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Commercial Records Management Firms)	6
The Operations of the Office of Hearings and Appeals Megasite	7

*We plan to begin the following review in FY 2003*

Impact of State Reverse Offset Laws Have on Title II Disability Benefits	
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# ***Controls over the Social Security Administration's Accelerated Electronic Disability System***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether SSA's Electronic Disability System will be able to meet SSA's functionality, capacity, security and future maintenance requirements. We will also evaluate the impact of SSA storing its data electronically in the State Disability Determination Services.

## **Background**

The Electronic Disability project is the Agency's technological approach to automating the disability claims process. Electronic Disability supports the Agency's goals of reducing pending disability workloads and processing times, ensuring a satisfying work environment for employees and ultimately eliminating the paper-based process.

# ***Inventory Review at the Wilkes-Barre Folder Servicing Operation***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine the accuracy and condition of the physical and computerized inventories at the Wilkes-Barre Folder Servicing Operation (FSO).

## **Background**

We have received specific complaints concerning title XVI case folders maintained at the FSO. Requestors allege that folders are often provided with post-entitlement documentation but no medical evidence. Post-entitlement material is rarely necessary; however, the medical evidence is required in most cases. Requestors also report long delays in receiving folders and folders that cannot be found. Based on our August 2002 review at the Megasite storage facility, we believe the condition of the existing inventory may be a contributing factor in a facility's ability to provide requested case files.

An SSA contractor maintains the FSO inventory. Beginning in March 2001, the contractor started validating and sequencing FSO's entire inventory. This process was completed in April 2002; therefore, now is a good time to assess the accuracy, reliability, and maintenance of the physical and computerized inventories.



# ***Management Advisory Report—Fiscal Year 2002 Quick Response Activities Summary Report***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To summarize the results of our FY 2003 responses to special inquiries received in FY 2002.

## **Background**

In addition to conducting audits and evaluations, we respond to special inquiries. These efforts are short-duration, time-sensitive projects that address requests from Congress, senior SSA officials, other Federal agencies, beneficiaries, union leaders, etc. From October 2001 through September 2002, we completed six congressional inquiries, five requests from SSA management, three requests from the public, three requests from SSA/OIG, and five requests from various sources (for example, other Federal agencies, other OIGs, and SSA employees).

# ***Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Corporations)***

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## **Planned Start**

2<sup>nd</sup> Quarter FY 2003

## **Objective**

To identify best practices and possible paper record storage alternatives SSA might consider to improve its records management processes.

## **Background**

SSA strives to provide the public world-class service. One way to measure good service is through the timeliness of SSA's actions. SSA's ability to quickly find claims folders is critical to ensuring the integrity of SSA's actions. However, field offices, Disability Determination Services, hearing offices, and regional components frequently complain about long delays in obtaining requested folders and a high rate of "lost" folders.

During a recent audit at one of SSA's record storage facilities, we found the inventory was inaccurate because the site contractor and other responsible SSA parties had not properly maintained and updated the folder inventory and related computerized records as folders moved in and out of the facility. As a result, the overall integrity of the inventory and the contractor's ability to provide folders on request came into question.

SSA maintains millions of title II and title XVI paper case folders nationwide that must be ready for retrieval, as needed, during the course of everyday case management. Based on our August 2002 review at a record storage facility, we know the condition of an existing folder inventory can impact a facility's ability to provide requested case files. SSA should take steps to improve its paper records management as millions of dollars may be incorrectly paid in benefits due to the inability to provide critical records needed for case management.

# ***Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Federal Agencies)***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To identify best practices and possible paper record storage alternatives SSA might consider to improve its records management processes.

## **Background**

SSA strives to provide the public world-class service. One way to measure good service is through the timeliness of SSA's actions. SSA's ability to quickly find claims folders is critical to ensuring the integrity of SSA's actions. However, field offices, Disability Determination Services, hearing offices, and regional components frequently complain about long delays in obtaining requested folders and a high rate of "lost" folders.

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SSA maintains millions of title II and title XVI paper case folders nationwide that must be ready for retrieval, as needed, during the course of everyday case management. Based on our August 2002 review at a record storage facility, we know the condition of an existing folder inventory can impact a facility's ability to provide requested case files. SSA should take steps to improve its paper records management as millions of dollars may be incorrectly paid in benefits due to the inability to provide critical records needed for case management.

# ***Recommended Best Practices for Improving the Social Security Administration's Paper Records Management (Commercial Records Management Firms)***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To identify best practices and possible paper record storage alternatives SSA might consider to improve its records management processes.

## **Background**

SSA strives to provide the public world-class service. One way to measure good service is through the timeliness of SSA's actions. SSA's ability to quickly find claims folders is critical to ensuring the integrity of SSA's actions. However, field offices, Disability Determination Services, hearing offices, and regional components frequently complain about long delays in obtaining requested folders and a high rate of "lost" folders.

During a recent audit at one of SSA's record storage facilities, we found the inventory was inaccurate because the site contractor and other responsible SSA parties had not properly maintained and updated the folder inventory and related computerized records as folders moved in and out of the facility. As a result, the overall integrity of the inventory and the contractor's ability to provide folders on request came into question.

SSA maintains millions of title II and title XVI paper case folders nationwide that must be ready for retrieval, as needed, during the course of everyday case management. Based on our August 2002 review at a record storage facility, we know the condition of an existing folder inventory can impact a facility's ability to provide requested case files. SSA should take steps to improve its paper records management as millions of dollars may be incorrectly paid in benefits due to the inability to provide critical records needed for case management.

# ***The Operations of the Office of Hearings and Appeals Megasite***

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## **Planned Start**

Carry Over

## **Objective**

To review the operations of the Megasite, including its case folder inventory system.

## **Background**

The Office of Hearings and Appeals' Appeals Council reviews Administrative Law Judge decisions appealed by claimants and on its own motion. The Council decides approximately 100,000 cases per year. Hearing offices send cases that have been denied or dismissed to a Megasite in Springfield, Virginia, where they are stored from 6 months up to 2 years. Approximately 325,000 case folders are stored at this site.

# Human Capital

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*GAO and OIG have identified specific SSA human capital challenges/vulnerabilities that may impact the Agency's ability to meet projected service delivery needs. SSA's increasing demand for services, imminent retirement of a large portion of its workforce, changing needs of the public, and mixed success in implementation of technology will challenge SSA's ability to meet its service delivery demands.*

SSA's future promises major technological advances and exponential growth in workloads. This growth will occur at the same time SSA may face an unusual wave of management and staff retirements. Even at current staffing levels, SSA finds it difficult to maintain an acceptable level of service to the public, especially in its most complicated workloads. After a decade of downsizing and curtailing investments in human capital (people), the Government is facing a major challenge to meet the current and emerging needs of the Nation's citizens. Many agencies, including SSA share the challenge to address human capital shortfalls. Agency leaders need to make this a priority and apply tools and flexibilities already available to make substantial progress in managing their human capital.

In January 2001, the General Accounting Office (GAO) added strategic human capital management to its list of Federal programs and operations identified as high-risk. The strategic human capital challenges it identified include the following.

Acquiring and developing staffs whose size, skills, and deployment meet agency needs—ensuring current and future human capital needs are identified and gaps are filled through such efforts as effective recruiting, training, and contracting.

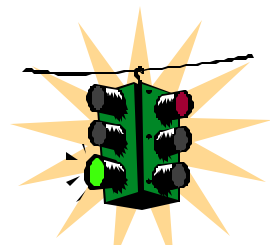
**Leadership continuity and succession planning**—ensuring there are qualified people available to assume top leadership positions before they become available.

**Strategic human capital planning and organizational alignment**—ensuring human capital strategies support strategic and program goals so an agency's mission, vision, and objectives are realized.

**Creating results-oriented organizational cultures**—ensuring staff is empowered and motivated in conjunction with workplace accountability.

SSA has addressed its human capital challenge in its strategic plan. SSA's goal "to be an employer that values and invests in each employee" relates the Agency's management commitment to meet its human capital challenge. In its strategic plan, SSA states that "there is no management priority higher than ensuring that our workforce is ready for the challenges we will face in the 21st century." To this end, SSA must maintain a highly skilled, high performing and highly motivated workforce to achieve its mission. In addition, SSA must ensure that all employees, individually and collectively, understand and value the culture of the organization, which is focused on service to the public.

In FY 2003, we plan to complete one review in this area.



*We plan to complete the following review in FY 2003*

The Social Security Administration's Efforts to Address Future Workforce Needs

1

# ***The Social Security Administration's Efforts to Address Future Workforce Needs***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To assess SSA's plans for addressing its future workforce needs that are intended enable it to manage workloads and continue to provide quality service.

## **Background**

SSA's workloads will grow because the "baby boom" generation will be reaching retirement age or becoming disabled, but its staffing levels will not. Moreover, SSA has predicted that a significant reduction in its workforce is expected because of regular or disability retirement between Calendar Years 2007 and 2010. Therefore, SSA needs find better ways of accomplishing its work and planning for its future workforce needs.

SSA developed its Strategic Plan, *Mastering the Challenge 2000 – 2005*, to prepare for a vastly different future and at the same time keep performance and service at its best. One of the Agency's five goals is "To be an employer that values and invests in each employee." To realize this goal, SSA established an objective "To create a workforce to serve SSA's diverse customers in the 21st century." To accomplish its goal, SSA created and has begun implementing its plan to transition from a workforce of today to a workforce for the future. The workforce will need efficient work processes, proper tools, training, environment, and leadership. Additionally, this workforce needs to be committed to providing world-class service.



# Budget and Performance Integration

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*Our work to date has demonstrated that SSA is generally committed to the production and use of reliable performance and financial management data, but some improvements would further enhance SSA's ability to produce accurate and actionable management information.*

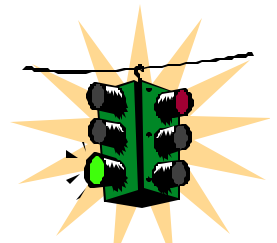
This area encompasses SSA's efforts to provide timely, useful and reliable data to assist internal and external decisionmakers in effectively managing Agency programs; evaluating performance; and ensuring the validity and reliability of performance, budgeting, and financial data.

To effectively meet its mission, manage its programs, and report on its performance, SSA needs sound performance and financial data. Congress, other external interested parties, and the general public also want sound data to monitor and evaluate SSA's performance. SSA primarily relies on internally generated data to manage the information it uses to administer its programs and report to Congress and the public. The necessity for good internal data Government-wide has resulted in the passage of several laws and regulations to make Government more accountable. The Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Government Performance and Results Act of 1993 (GPRA) were passed to create an environment of greater accountability within Federal agencies.

In accordance with GPRA, SSA has set forth its mission and strategic goals in 5-year strategic plans, established yearly targets in its annual performance plans, and reported on its performance in its annual performance reports. Each year, we conduct audits to assess the reliability of SSA's performance data and evaluate the extent to which SSA's performance plan describes SSA's planned and actual performance meaningfully. Our most significant recommendations in this area are that SSA:

- needs to establish performance indicators for all of its major management challenges;
- needs to link resources needed to achieve its goals;
- needs a more robust accounting system to ascertain what it costs to perform a particular function;
- should develop performance measures that more accurately reflect its performance; and
- should improve documentation of the process used in measuring its performance.

In addition to performance audits, we perform and oversee audits and reviews of SSA's financial statements and other financial-related audits of SSA's operations. Our work includes an annual audit of SSA's financial statements as well as reviews of the quality of single audits conducted by State auditors and public accounting firms. We also conduct administrative cost audits of State Disability Determination Services, which assist SSA with its disability workload. All of this work helps to assess the validity and reliability of the financial data SSA relies on to manage its programs and meet its mission.



The integrity of SSA's programs and those that rely on information from SSA depend on the reliability and quality of SSA's data. External data and data exchanges are critical to SSA's programs and are the focus of many of our audits. Therefore, it is imperative that SSA's data be reliable. For example, States provide data on workers' compensation benefits paid to individuals who may also be receiving SSA benefits. The Department of Veterans Affairs and the Centers for Medicare and Medicaid Services provide SSA information about medical care and deaths that ultimately impact the amount of benefits the Agency pays. Also, States use SSA program data to verify their own residents' eligibility for benefits, while employers verify new worker SSNs against SSA's Employee Verification System. SSA has become the repository for prisoner information it shares with other Federal agencies. Finally, SSA sells its data to the private sector. Considering the critical role of the underlying data in all of SSA's performance, financial, and data-sharing activities, it is crucial that the Agency have clear processes in place to ensure the reliability and integrity of its data.

In FY 2003, we plan to complete 33 reviews and begin 4 reviews in this issue area.

*We plan to complete the following reviews in FY 2003*

Assessment of the Social Security Administration's Performance Measures	1
Consolidated Report on State DDS Audits Conducted by the OIG in FY 2002	2
Performance Audit of the Social Security Administration's Main Complex Guard Contract	3
Fiscal Year 2002 Financial Statement Oversight Audit	4
Follow-up on Connecticut Disability Determination Services Lease and Cost Allocation Plan Issues	5
Fiscal Year 2002 Inspector General Statement on SSA's Major Management Challenges	6
Internal Control Review of the Award Process at the Office of Acquisitions and Grants	7
Performance Measure ReviewReliability of the Data Used to Measure	
The Accuracy of OASDI and SSI Payments	8
The Appeals Process	9
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*We plan to begin the following reviews in FY 2003*

Review of SSA's Compliance with Federal Acquisition Regulations Regarding the Use of Purchase Orders and Blanket Purchase Agreements

FY 2003 Inspector General Statement on SSA's Major Management Challenges

State Disability Determination Services Administrative Costs for South Carolina

PwC Management Letter for FY 2003

# ***Assessment of the Social Security Administration's Performance Measures***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether SSA's key programs and activities were addressed by its Fiscal Year 2002 performance indicators and, if so, whether those indicators were objective, understandable, outcome-based, and useful to congressional and Agency decision-makers.

## **Background**

The Government Performance and Results Act (GPRA) of 1993 seeks to improve the management of Federal programs, as well as their effectiveness and efficiency, by establishing a system under which agencies set goals for program performance and measure their results against those goals. Specifically, GPRA requires that SSA develop performance indicators that assess the relevant service levels and outcomes of each program activity.

Office of Management and Budget (OMB) Circular A-11, part 2, Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports, states that performance indicators should be relevant, measurable objectives against which actual achievement in program activity can be quantitatively compared. OMB also states that outcome-based goals should be included within an Annual Performance Plan (APP), whenever possible.

Congress has stated that annual goals should be quantified as outcomes, rather than outputs. For example, a U.S. Senate Committee on Governmental Affairs report states that "...agency leaders and managers should, where possible and practical, use outcome-oriented goals and measures that demonstrate how well a program or activity is doing in achieving its intended results."

President Bush has also stated the need for useful, outcome-oriented performance indicators and goals. The President's Management Agenda calls for the integration of performance review and budget formulation. As part of this integration process, agencies are being asked to "identify high quality outcome measures" that will be used to accurately monitor program performance.

# ***Consolidated Report on State Disability Determination Services Audits Conducted by the Office of the Inspector General in Fiscal Year 2002***

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## **Planned Start**

2<sup>nd</sup> Quarter FY 2002

## **Objective**

To review to (1) determine whether the Disability Determination Services (DDS) administrative costs claimed on the SSA financial reports (State Agency Report of Obligations for SSA Disability Programs Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the draw down of Federal funds.

## **Background**

The Disability Insurance (DI) program was established in 1956 under title II of the Social Security Act (Act) to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, the Congress enacted the Supplemental Security Income (SSI) program (Public Law 92-603) under title XVI of the Act. The SSI program provides a nationally uniform program of income to financially needy individuals who are aged, blind or disabled. Disability determinations under both DI and SSI are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligation, each State agency is responsible for determining the claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

# ***Performance Audit of the Social Security Administration's Main Complex Guard Contract***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To ensure SSA is properly monitoring this contract and the contractor is complying with the contract terms and applicable regulations.

## **Background**

Recent media attention and world events have spurred public and congressional concerns that protection of the Federal infrastructure is of high priority. Accordingly, we have decided to prioritize this audit work regarding physical security of SSA's main complex in view of recent events. Our audit will focus on reviewing the contractor's ability to meet and its compliance with contract requirements, including preparedness, skill levels/qualifications, training, proper equipment, firearms controls, and other contract areas we deem necessary to ensure that the Agency's facilities are adequately protected. We will determine whether Holiday International is meeting its responsibilities to protect the people and property at SSA's main complex, as defined in the contract.

# ***Fiscal Year 2002 Financial Statement Oversight Audit***

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## **Planned Start**

3<sup>rd</sup> Quarter FY 2002

## **Objective**

To fulfill our responsibilities under the Chief Financial Officers Act and related legislation for ensuring the quality of the audit work performed, we will monitor PricewaterhouseCooper's (PwC) audit of SSA's FY 2002 financial statements.

## **Background**

The Chief Financial Officers Act of 1990 requires agencies to annually prepare audited financial statements. Each agency's Inspector General is responsible for auditing these financial statements to determine whether they provide a fair representation of the entity's financial position. This annual audit also includes an assessment of the Agency's internal control structure and its compliance with laws and regulations. PwC will perform the audit work to support this opinion of SSA's financial statement. We will monitor the contract to ensure reliability of PwC's work to meet our statutory requirements for auditing the Agency's financial statements.



# ***Follow-up on Connecticut Disability Determination Services Lease and Cost Allocation Plan Issues***

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## **Planned Start**

Carry Over

## **Objective**

To perform a cost/price analysis on the lease costs and review the Cost Allocation Plan.

## **Background**

The Boston Regional Office asked the OIG to conduct a follow up audit on the State of Connecticut Disability Determination Services. Specifically, we were asked to review lease and indirect costs.

# ***Fiscal Year 2002 Inspector General Statement on the Social Security Administration's Major Management Challenges***

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## **Planned Start**

Carry Over

## **Objective**

To meet the requirements established for the Inspector General as a result of the Reports Consolidation Act of 2000.

## **Background**

In November 2000, the President signed the Reports Consolidation Act of 2000, which requires Inspectors General to provide a summary and assessment of the most serious management and performance challenges facing the agencies and the agencies' progress in addressing these challenges.

For Fiscal Year 2002, we identified the following 10 significant management issues facing the Social Security Administration (SSA).

- 1.** Fraud Risk
- 2.** Improper Payments
- 3.** Systems Security
- 4.** Service Delivery
- 5.** Human Capital
- 6.** Performance, Management and Data Reliability
- 7.** Management of the Disability Process
- 8.** Integrity of the Earnings Reporting Process
- 9.** Social Security Number Misuse and Privacy Concerns (Identity Theft)
- 10.** Integrity of the Representative Payee Process

# ***Internal Control Review of the Award Process at the Office of Acquisitions and Grants***

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## **Planned Start**

Carry Over

## **Objective**

The objective of this audit is to assess the adequacy of the internal controls over the award process at the Office of Acquisition and Grants to provide reasonable assurance contracts are properly awarded.

## **Background**

The Office of Acquisitions and Grants' mission is to direct the business management aspects of SSA's acquisition and grants management program by awarding and administering contracts, preparing purchase orders or other contractual instruments, and awarding and administering grants. The Office of Acquisitions and Grants also develops and implements policies, procedures and directives for all acquisition and grants activities SSA-wide.

For FY 2001, the Office of Acquisitions and Grants awarded \$460 million in new contracts. SSA contracts values are approximately \$2 billion.

# ***Performance Measure Review: Reliability of the Data Used to Measure the Accuracy of Old-Age, Survivors and Disability and Supplemental Security Income Payments***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure the accuracy of the Old-Age, Survivors and Disability and Supplemental Security Income Payments.

## **Background**

The Government Performance and Results Act requires that SSA develop performance indicators that assess the relevant service levels and outcomes of each program activity. The Act also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Data Used to Measure the Appeals Process***

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## **Planned Start**

Carry Over

## **Objective**

To determine reliability of the data SSA uses to measure the appeals process.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Data Used to Measure Customer Satisfaction with the Social Security Administration's Service (PwC)***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure customer satisfaction with SSA's service.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Data Used to Measure the Posting of Earnings Records***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure the posting of earnings records.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Data Used to Measure the Social Security Administration's Ability to Access State and Federal Electronic Information***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure its ability to access State and Federal electronic information.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.



# ***Performance Measure Review: Reliability of the Data Used to Measure the Timeliness of Social Security Number Card Issuance***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure the timeliness of SSN card issuance.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Data Used to Measure the Social Security Administration's Implementation of the Software and Infrastructure Necessary for Paperless Claims Processing***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure the implementation of the software and infrastructure necessary for paperless claims processing.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Performance Measure Review: Reliability of the Old-Age, Survivors and Disability Insurance and Supplemental Security Income Post-Entitlement Automation Rate***

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## **Planned Start**

Carry Over

## **Objective**

To determine the reliability of the data SSA uses to measure the Old-Age, Survivors and Disability Insurance and Supplemental Security Income post-entitlement automation rate.

## **Background**

GPRA requires SSA to develop performance indicators that assess the relevant service levels and outcomes of each program activity. GPRA also requires disclosure of the processes used to verify and validate the measured values used to report on program performance. SSA has stated that the OIG plays an important role in the verification and validation of the Agency's performance indicators. The OIG audits of the reliability of the SSA's performance indicators, and the data used to support them, are an integral part of the Agency's verification and validation efforts.

# ***Review of the Social Security Administration's Fiscal Year 2003 Annual Performance Plan***

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## **Planned Start**

Carry Over

## **Objective**

To determine the extent to which SSA's Fiscal Year (FY) 2003 Annual Performance Plan (APP) (1) responded to prior recommendations made to improve APPs and (2) contained indicators that provide decision-makers useful information and meaningfully measure performance.

## **Background**

The Government Performance and Results Act of 1993 (GPRA) seeks to improve the management of Federal programs, as well as their effectiveness and efficiency. GPRA established a framework through which Federal agencies set goals, measure performance, and report on the extent to which those goals were met. This is accomplished by preparing 5-year strategic plans, APPs, and annual performance reports.

The APP provides a direct link between strategic goals and agency performance. The APP identifies the (1) annual performance goals an agency will use to gauge progress toward accomplishing its strategic goals and (2) performance goals for use in assessing annual progress. The President's Management Agenda calls for the integration of performance review and budget formulation. As part of this integration process, agencies are being asked to identify high quality outcome measures that will be used to accurately monitor the performance of programs.

# ***Social Security Administration's Fiscal Year 2004 Annual Performance Plan***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine whether SSA's FY 2004 Annual Performance Plan (APP) adheres to the Government Performance and Results Act (GPRA) and other related guidance and establishes performance indicators, goals and strategies for all of SSA's mission critical activities.

## **Background**

In accordance with GPRA, SSA releases annual performance plans that include performance indicators and goals and the strategies that will lead the Agency to meet its annual goals. In short, the document provides the Agency's business plan for each year. The indicators, goals, and strategies demonstrate the issues SSA will address and report on for a given year.

SSA places great importance on meeting its annual goals. This importance, indicated by a continual tracking of the most critical goals and the creation of working groups to continually update performance indicators, goals and strategies, directly relates to the importance of having indicator, goals, and strategies for all of SSA's mission critical activities. The activities that SSA chooses to highlight in its annual performance plans are the activities that it focuses on throughout the year.

We have reviewed SSA's annual performance plans since they were required in FY 1999. We have worked with SSA's Office of Strategic Management to strengthen the plans from year to year. Congress has been interested in our reviews as GPRA, and its requirements, are championed by a few leading members of Congress.

# ***State Disability Determination Services Administrative Costs for California***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Services agency.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Colorado***

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## **Planned Start**

2<sup>nd</sup> Quarter FY 2003

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Florida***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as of the draw down of Federal funds.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.



# ***State Disability Determination Services Administrative Costs for Georgia***

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## **Planned Start**

Carry Over Started

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Hawaii***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Illinois***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Kentucky***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Massachusetts***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Michigan***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agrees with total expenditures for the fiscal year's disability determinations; (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of Federal funds; and (4) assess the general controls environment at the State Disability Determination Service agency.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Puerto Rico***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds.

## **Background**

The Disability Insurance program was established in 1954 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for South Dakota***

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## **Planned Start**

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.



# ***State Disability Determination Services Administrative Costs for Texas***

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## **Planned Start**

2<sup>nd</sup> Quarter FY 2002 St

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***State Disability Determination Services Administrative Costs for Washington***

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## **Planned Start**

Carry Over

## **Objective**

To (1) determine whether costs claimed on the SSA *State Agency Report of Obligations for SSA Disability Programs* (Form SSA-4513) are allowable and properly allocated; (2) determine whether the aggregate of the Federal funds drawn down agreed with total expenditures for the fiscal year's disability determinations; and (3) evaluate internal controls over the accounting and reporting of the administrative costs claimed, as well as of the drawdown of Federal funds. claimants' disabilities and ensuring that adequate evidence is available to support its determinations.

## **Background**

The Disability Insurance program was established in 1956 under title II of the Social Security Act to provide benefits to wage earners and their families in the event the wage earner becomes disabled. In 1972, Congress enacted the Supplemental Security Income program (Public Law 92-603) under title XVI of the Social Security Act. Title XVI provides a nationally uniform program of income to financially needy individuals who are aged, blind, or disabled. Disability determinations under the Disability Insurance and Supplemental Security Income programs are performed by an agency in each State in accordance with Federal regulations. In carrying out its obligations, each State agency is responsible for determining the claimants' disabilities and ensuring adequate evidence is available to support its determinations.

# ***Administrative Costs Claimed by the New York Disability Determination Division***

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## **Planned Start**

Carry Over

## **Objective**

Determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Problems (Form SSA-4513) for the period October 1, 1997 through September 30, 1999 were allowable and properly allocated.

## **Background**

The Disability Insurance (DI) program provides benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. The Supplemental Security Income (SSI) program provides a nationally uniform program of income and disability coverage to financially needy individuals who are aged, blind, or disabled.

SSA is primarily responsible for implementing the general policies for developing DI and SSI disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. Each State agency (SA) determines claimants' disabilities and ensures that adequate supporting evidence is available. Each SA is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from claimants' physicians or other treating sources.

SSA pays the SA for 100 percent of allowable expenditures. Each year, SSA determines the amount of funding authorization. Once funding is approved, each SA is allowed to withdraw SSA funds to meet immediate program expenses. At the end of each quarter of the Federal FY, each SA submits a Form SSA-4513.

Our methodology included reviewing Federal laws, regulations, and instructions, as well as, the New York Disability Determination Division general policies and procedures pertaining to administrative costs incurred and the drawing down of SSA funds. We held discussions SSA's New York Regional Office of Disability.

# ***Administrative Costs Claimed by the Kansas Disability Determination Services***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate the Kansas Disability Determination Services' (KS-DDS) internal controls over the accounting and reporting of administrative costs, determine whether costs claimed on the State Agency Report of Obligations for SSA Disability Programs (Form SSA-4513) for the period October 1, 1998 through September 30, 2000 were allowable and properly allocated and funds were properly drawn, and access the electronic data processing general controls environment.

## **Background**

The Disability Insurance (DI) program provides benefits to disabled wage earners and their families in the event the family wage earner becomes disabled. The Supplemental Security Income (SSI) program provides a nationally uniform program of income and disability coverage to financially needy individuals who are aged, blind or disabled.

SSA is primarily responsible for implementing the general policies for developing DI and SSI disability claims. Disability determinations under both DI and SSI are performed by an agency in each State according to SSA regulations. Each State agency (SA) determines claimants' disabilities and ensures that adequate supporting evidence is available. Each SA is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from claimants' physicians or other treating sources.

SSA pays the SA for 100 percent of allowable expenditures. Each year, SSA determines the amount of funding authorization. Once funding is approved, each SA is allowed to withdraw SSA funds to meet immediate program expenses. At the end of each quarter of the Federal FY, each SA submits a Form SSA-4513.

# ***Summary of the Office of the Inspector General's Reviews of the Social Security Administration's Performance Data***

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## **Planned Start**

Carry Over

## **Objective**

To summarize the results of previous reviews of SSA's performance data and indicators to identify common issues related to the reliability of SSA's performance measures.

## **Background**

The OIG (OIG) has played a critical role in SSA's implementation of the Government Performance and Results Act and its related measurement of program performance. Since Fiscal Year 1999, the OIG has conducted reviews to determine the reliability of the data and indicators SSA relies on to measure its performance. Our prior reviews focused on specific sources of data used to measure SSA's performance indicators. Each report's findings and recommendations focused on the specific data source and related performance indicators. While our prior reviews were a valuable part of SSA's performance measurement system and identified weaknesses in data sources and indicators, our focus on individual measures did not present an overall view of SSA's performance management.

For this review, we will summarize the prior findings from over 30 reports of SSA's performance data and indicators. We will also review the prior recommendations made to SSA, as well as determine whether they were accepted and corrective actions were taken to address our concerns. In addition, we will note any significant issues raised in our prior reports that remain unresolved and the potential effects posed by these issues. In conducting this review, we plan to identify common themes from the reports issued over several years to focus on key trends or patterns that continue to be significant issues for SSA.

# ***Management of the Disability Process***

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*SSA strives to deliver the highest level of service by making fair, consistent, accurate and timely disability determinations at all adjudicative levels.*

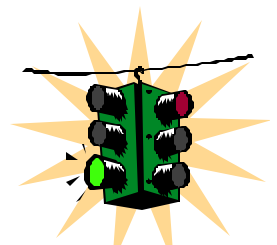
SSA administers two programs that provide benefits based on disability: Disability Insurance (DI) and Supplemental Security Income (SSI). Most disability claims are initially processed through a network of Social Security field offices (FO) and State Disability Determination Services (DDS). SSA representatives in the FOs are responsible for obtaining applications for disability benefits and verifying non-medical eligibility requirements, which may include age, employment, marital status, or Social Security coverage information. The FO sends the case to a DDS for evaluation of disability. The DDSs, which SSA fully funds, are State agencies responsible for developing medical evidence and rendering the initial determination on whether the claimant is legally disabled or blind. After the DDS makes the disability determination, it returns the case to the FO for appropriate action depending on whether the claim is allowed or denied. In FY 2001, FOs processed 2,166,623 initial disability claims, and the average processing time was 106 days.

Once SSA establishes an individual is eligible for disability benefits under either the DI or SSI program, the Agency turns its efforts toward ensuring the individual continues to meet eligibility criteria. Disability benefits will not continue if legislation or Federal regulations rescind a prior disabling condition from qualifying for benefits; a child turns 18-years-old and is no longer considered disabled under adult criteria; a beneficiary/recipient returns to work and has income over SSA's allowable amount; or a continuing disability review shows the individual is no longer disabled. In FY 2001, 1,730,192 periodic continuing disability reviews were processed.

The Office of Hearings and Appeals (OHA) is responsible for holding hearings and issuing decisions at two distinct stages in SSA's appeals process. Administrative law judges hold hearings and issue decisions in hearing offices nationwide. OHA's field structure consists of 10 regional offices and 138 hearing offices. In FY 2001, hearing offices processed 465,228 cases, and the average processing time was 307 days.

The Appeals Council is the final level of administrative review for claims filed under SSA's disability programs. The Appeals Council reviews administrative law judge decisions and dismissals upon the claimant's timely request for review. In FY 2001, the Appeals Council processed 115,589 cases, and the average processing time was 439 days.

Over the last several years, SSA has tested several improvements to the disability claims process as a result of concerns about the timeliness and quality of service. These disability improvement initiatives have been piloted over the last few years and include all levels of eligibility determination—beginning with State DDSs and going through the hearings and appeals processes.



To date, these initiatives have not resulted in significant improvements in the disability claims process. Accordingly, the Commissioner recently announced several decisions on the future of SSA's Disability Process. The Commissioner's decisions included: expanding the Single-Decision Maker nationwide, ending the requirements for the claimant conference, evaluating the elimination of the reconsideration level of the claims process nationwide, making additional improvements to the hearings process, and implementing an Electronic Disability System by 2004.

In FY 2003, we plan to complete four reviews and begin six reviews this issue area.

*We plan to complete the following reviews in FY 2003*

Appeals Council Process Improvement Action Plan	1
Disability Determination Services' Performance	2
Financial Incentives Received by State Disability Determination Services from Volume Medical Providers	3
Summary Report of Single Audit Oversight Activities for Fiscal Year 2002	4

*We plan to begin the following reviews in FY 2003*

Office of Hearings and Appeals Reversal of Disability Denial Decisions Involving Investigative information from Cooperative Disability Units	
Review of the Social Security Administration's Expedited Reinstatement Process	
Review of Offices of Hearings and Appeals Performance to Identify Best Practices	
Ticket to Work and Work Incentives Improvement Program	
Feasibility of Closing the Disability Record Upon Appeal of the Initial Disability Decision to the Office of Hearings and Appeals	
Review of the Low-Birthweight Criteria as Applied to Multiple-Birth Infants	



# ***Appeals Council Process Improvement Action Plan***

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## **Planned Start**

2<sup>nd</sup> Quarter FY 2002

## **Objective**

To assess the effectiveness of the short-term initiatives of the Appeals Council Process Improvement (ACPI) Action Plan.

## **Background**

The Office of Hearings and Appeals Appeals Council provides the final level of administrative review for claims. The Council receives approximately 110,000 requests each year from claimants to review hearing decisions and dismissals. The processing times for cases has increased from 141 days in 1995 to 505 days in 2000. The number of pending requests increased from 47,000 in 1995 to 128,000 in 2000. In March 2000, SSA established the ACPI Action Plan to improve the quality of service to claimants seeking an Appeals Council review. The goal was to reduce the processing time for requests for review cases to 160 days by the end of 2001. In addition, ACPI would reduce the pending request workload to 51,100 by the end of 2001.

The plan contains both short-term process innovations and long-term structural improvements. The short-term initiatives include increasing productivity of existing staff, adding resources to increase capacity and adjusting incoming workloads. These initiatives began at various times in 2000 and are scheduled to end in 2001. Specific short-term actions include hiring 30 staff members, the Office of General Counsel providing 25 workyears of staff time, emphasis on aged requests, managers processing appeals, and using retired administrative law judges to review cases.

# ***Disability Determination Services' Performance***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine (1) why certain Disability Determination Services (DDS) perform at levels better than other DDSs and (2) administrative savings resulting from improving lower performing DDSs.

## **Background**

In accordance with Federal regulations, each State's DDS makes medical determinations of disability for SSA's Disability Insurance (DI) and Supplemental Security Income (SSI) programs. SSA pays 100 percent of the allowable costs incurred by DDSs in making disability determinations. Each State is responsible for establishing the DDS organizational structure; providing qualified management, personnel, medical consultant services, adequate facilities, quality assurance function; and maintaining regulatory performance levels and a performance monitoring system.

Performance statistics vary widely among the 54 DDSs. Performance statistics show DDS claims processing times ranging from a low of 56 days to a high of 111 days; allowance rates ranging from a low of 26 percent to a high of 51 percent; and consultative examination purchase rates ranging from a low of 19 percent to a high of 60 percent.

# ***Financial Incentives Received by State Disability Determination Services from Volume Medical Providers***

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## **Planned Start**

Carry Over

## **Objective**

To determine (1) why only a small number of State Disability Determination Services (DDS) receive discounts on consultative examinations (CE) purchased from volume medical providers and (2) whether the potential exists for increasing discounts received from volume medical providers.

## **Background**

Disability determinations under SSA's Disability Insurance and Supplemental Security Income programs are performed by each State's DDS in accordance with Federal regulations. DDSs are responsible for obtaining adequate medical evidence to support the disability decision. In doing so, DDSs may purchase CEs from medical providers to supplement the medical records obtained from claimants' treating sources. Federal regulations allow each DDS to establish a rate of payment for CEs. However, a DDS' rate of payment for a CE may not exceed the highest rate paid by the Federal or other agencies in the State for the same or similar types of service.

According to SSA's instructions, DDSs should receive a financial incentive from those medical providers reimbursed \$100,000 or more annually through competitive bidding, referred to as volume medical providers. This instruction implies that, if a medical provider is given a large DDS workload, the provider should be willing to perform services at a rate of payment less than the rate of payment normally reimbursed by the DDS.

In FY 2001, 38 of the 54 DDSs purchased CEs from volume medical providers. However, only five DDSs (New York, Florida, Nevada, Oregon, and Michigan) received discounts on the CEs purchased from volume medical providers.

# ***Summary Report of Single Audit Oversight Activities for Fiscal Year 2002***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To summarize internal control weaknesses at State Disability Determination Services (DDS) reported in State single audits and identified during OIG single audit oversight activities.

## **Background**

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996, which extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Act including raising the Federal financial assistance dollar threshold from \$100,000 to \$300,000. On June 30, 1997, the Office of Management and Budget issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the 1996 amendments and rescinded Circular A-128.

There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. All DDSs are subject to the Single Audit Act except for the federally administered Virgin Islands DDS.

# ***Integrity of the Earnings Reporting Process***

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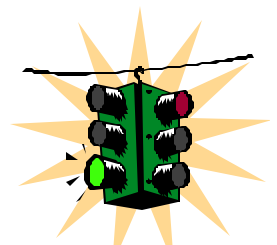
*The integrity of SSA's process for posting workers' earnings is critical to ensuring eligible individuals receive the full retirement, survivor and/or disability benefits due them.*

Earnings information reported to SSA by employers and self-employed individuals impacts the level of benefits provided to individuals under both the Old-Age, Survivors and Disability Insurance (OASDI) and the Supplemental Security Income (SSI) programs. If earnings information is reported incorrectly, or not reported at all, SSA cannot ensure all eligible individuals are receiving the correct payment amounts. In addition, SSA's disability programs under OASDI and SSI depend on this earnings information to determine (1) whether an individual is eligible for benefits and (2) the size of the disability payment. Finally, SSA spends scarce resources trying to correct the earnings data when incorrect information is reported.

The Earnings Suspense File (ESF) primarily consists of reported earnings that are put into suspense because the name/SSN combination does not match validation criteria within SSA's systems. Although SSA is able to post approximately 99 percent of all reported earnings to individuals' earnings records, those earnings that cannot be matched continue to accumulate in the ESF. Between 1937 and 2000, the ESF grew to about \$376 billion in wages, representing approximately 237 million wage items that have an invalid name and SSN combination, and, through extensive computer matches and manual efforts, this number is reduced to about 6.5 million items, annually. Although SSA attempts to further resolve these invalid wage items, the majority lacks sufficient detail to be matched to earners' records.

Another concern is the additional administrative cost required to correct invalid earnings information. SSA has previously reported that it can cost as much as \$300 to correct an earnings item once the item has gone into suspense, compared to a cost of only \$0.50 if the earnings had been reported correctly. Although correction costs may have decreased in recent years, and SSA is attempting to calculate a new cost figure, resolving suspended items unnecessarily consumes Agency resources.

While SSA has limited control over the factors that cause the volume of erroneous wage reports submitted each year, the Agency still has some ability to improve the process. SSA can improve wage reporting by (1) educating employers on reporting criteria; (2) identifying and resolving employer reporting problems; and (3) encouraging greater use of the Agency's SSN verification programs to ensure employers submit wage reports with valid name/SSN combinations. In a recent OIG report, we noted how one employer could have prevented \$10.2 million in wages from going into the ESF if the employer had used SSA's Employee Verification Service. In addition, wage reporting accuracy thresholds can identify problems with wage reports and attempt corrections with the employer before the wages go into the ESF. Finally, a Government Performance and Results Act measure in the ESF may indicate to management over time whether the problem is alleviated by on-going Agency efforts.



SSA also needs to improve coordination with other Federal agencies with separate, yet related mandates. For example, SSA's ability to improve wage reporting is related to the Internal Revenue Service's failure to sanction employers for submitting invalid wage data as well as the Immigration and Naturalization Service's complicated employer procedures for verification of eligible employees.

Ensuring the integrity of earnings in the Master Earnings File (MEF), the repository of earnings related to specific individual accounts, is also a critical audit area. A recent OIG audit found that SSA did not maintain sufficient controls over the wage reporting process to ensure employers were submitting quality earnings data. The audit noted that 285 employers submitted erroneous wage reports in which over 50 percent of their wages were in error 3 years in a row without SSA taking any action, even though more than \$8.5 million in penalties could have been assessed. Another 3,428 employers submitted similar erroneous wage reports in consecutive years.

SSA has developed other processes that inform individuals about their earnings while validating the earnings data in the MEF. SSA now mails Social Security statements to individuals who have earnings and are age 25 or older. In FY 2001, SSA mailed over 135 million of these statements. If an individual contacts SSA about missing earnings, these amounts are either reinstated from the ESF to the MEF, if they are currently in suspense, or added as new earnings to the MEF. This process can improve the integrity of SSA's earnings data.

We have recommended that SSA:

- seek legislative authority to provide SSA the tools to require chronic problem employers to use EVS;
- continue to pursue and/or expand upon viable options to the current SSN verification procedures to broaden employer participation in SSA's name/SSN verification projects;
- strengthen efforts with the Internal Revenue Service and Immigration and Naturalization Service to identify problem employers, given that some large employers have as much as two-thirds of their wage reports going into suspense;
- pursue with the Internal Revenue Service penalties on chronic problem employers and, should the IRS fail to impose such penalties, seek SSA sanctioning authority;
- develop a management information system to identify employers who have their wage reports force processed and identify the number of times their wage reports are force processed; and
- establish performance goals and measures in accordance with the Government Performance and Results Act of 1993 that track SSA's success in reducing the growth and size of the ESF.

In FY 2003, we plan to complete four reviews and begin four reviews in this area.

*We plan to complete the following reviews in FY 2003*

Follow-up Review of 100 Employers Who Continually Submit Large Numbers of Suspended Wage Items	1
The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Alerts	2
Utility of Earnings Wage Records in the Earnings Suspense File	3
Status of the Social Security Administration's Earnings Suspense File	4

*We plan to begin the following reviews in FY 2003*

Effectiveness of the Social Security Administration's SWEEP Program in Reinstating Wages
Social Security Statements' Effects on the Earnings Suspense File and Individual Earning Records
Wage Alerts for Supplemental Security Income Recipients
Follow-up Review of Controls Over Duplicate Postings of Self-employment Income to the Master Earnings Records

# ***Follow-up Review of 100 Employers Who Continually Submit Large Numbers of Suspended Wage Items***

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## **Planned Start**

## **Objective**

To review SSA's efforts in addressing the wage reporting problems identified in OIG's review of 100 employers who continually submit large numbers of suspended wage items.

## **Background**

In September 1999, we issued a report, *Patterns of Reporting Errors and Irregularities by 100 Employers with the Most Suspended Wage Items*. The report was based on a review of 100 employers who submitted the most suspended wage items from 1993 through 1996. We concluded that, if SSA is to gain better control over the suspense file, it must take a different approach in dealing with employers who submit wage reports that contain the types of errors and irregularities noted in our report.

We recommended that SSA (1) develop a corrective action plan for the 100 employers and continue its efforts to contact those employers who are responsible for large numbers of suspended wage items; (2) establish preventive controls to detect wage reporting errors and irregularities; (3) identify those employers who continually submit annual wage reports with large numbers and/or percentages of unassigned, identical, and/or consecutively numbered SSNs; and (4) run address standardization software as soon as practical after employers submit their annual wage reports to identify employers that report the same address for many employees.

SSA agreed in principle with our recommendations. SSA did not agree to develop a corrective action plan for the top 100 employers because it submits a list of over 7,000 problem employers annually to employer service liaison officers for follow-up contacts. However, SSA agreed to explore the feasibility of establishing an earnings suspense management information database. This database would enable SSA to more readily share needed information with the Internal Revenue Service. SSA also agreed to explore the feasibility of using address standardization software that would detect use of the same address by multiple employees working for the same employer.



# ***The Social Security Administration's Processing of Internal Revenue Service Overstated Wage Alerts***

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## **Planned Start**

Carry Over

## **Objective**

To evaluate SSA's processing of Internal Revenue Service (IRS) overstated wage alerts.

## **Background**

Each year, a number of taxpayers contact the IRS to dispute wages posted to their earnings record as well as the associated taxes. If the IRS concurs with the taxpayer, it sends an alert to SSA stating the earnings reported under an SSN do not belong to the numberholder. In these cases, the IRS does not collect Federal Income Tax on the disputed earnings and expects SSA to correct its earnings records. According to IRS estimates, the IRS has been sending about 7,500 referrals annually for the past 17 years.

Our planned audit will evaluate SSA's handling of these IRS alerts, review a sample of Tax Year 1999 alerts to determine the effect on the Master Earnings File and the reasons for the erroneous wage postings. In addition, we will review overall SSA/IRS coordination in this area.

# ***Utility of Earnings Wage Records in the Earnings Suspense File***

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## **Planned Start**

Carry Over

## **Objective**

To analyze wages reinstated from the Earnings Suspense File to determine the impact on individual earnings records and their receipt of benefits.

## **Background**

Each year, SSA receives annual wage reports from employers and self-employment income information from the Internal Revenue Service. When SSA receives these earnings reports, it matches the individual's name and SSN to SSA's Numident file (the repository for all issued SSNs). Earnings items that cannot be matched are not posted to the Master Earnings File and, as a result, are posted to SSA's Earnings Suspense File. The Earnings Suspense File is primarily used to search for and reinstate missing earnings to a numberholder's Master Earnings File.

The ESF contains over 227 million Wage and Tax Statements (W-2) and \$327 billion in wages accrued between Tax Years (TY) 1937 and 1999 that could not be posted to individuals' earnings records. During TY 1999 alone, the ESF grew by 8.3 million W-2s and \$39.4 billion in wages. Approximately 96 percent of ESF wages related to TYs 1970 through 1999. Suspended wages can affect an individual's eligibility for retirement and disability benefits as well as associated benefit amounts.

In 1999, SSA hired a contractor to study various options for reducing the size and growth of the ESF. In its final report, the contractor provided SSA management seven alternatives for reducing the growth and size of the ESF, while noting some kind of risks related to each option. However, the data used in the study, as well as the associated analysis, could have been expanded to provide SSA a better understanding of the risks related to record removal.

# ***Status of the Social Security Administration's Earnings Suspense File***

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## **Planned Start**

Carry Over

## **Objective**

To review the status of the Earnings Suspense File (ESF) in terms of wages and items and to determine the number of items reinstated to earner's accounts from the ESF.

## **Background**

Title II of the Social Security Act requires SSA to maintain records of wage amounts that employers pay to individuals. Employers report wages paid to employees to SSA at the conclusion of each tax year. Wages on those employer reports containing invalid names and/or SSNs cannot be posted to an individual's earnings record in SSA's Master Earnings File (MEF). Instead, these wages are placed in the ESF—a repository for unmatched wages. Suspended wages can affect a worker's eligibility for and/or the amount of retirement, disability, or survivor benefits. In addition, when wage reports cannot be matched to the correct individual, both SSA and the employer incur additional administrative costs in their efforts to correct unmatched wage reports.

At this point in time, the ESF contains approximately 236 million wage items totaling about \$374 billion related to Tax Years 1937 through 2000. In Tax Years 2000 alone, 9.6 million items and \$49 billion in earnings were posted to the ESF. Removal of wage items and their associated dollar value from the ESF only occurs when they can be matched and posted to an individual's MEF.

# Homeland Security, Social Security Number Integrity and Misuse

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*The magnitude of SSA's enumeration area and the importance placed on SSNs provides a tempting motive for unscrupulous individuals to fraudulently acquire an SSN and use it for illegal purposes.*

The SSN is the single most widely used identifier for Federal and State Governments as well as the private sector. In FY 2001, SSA issued over 18 million original and replacement SSN cards.

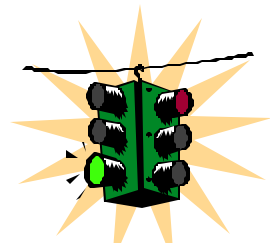
The public's growing concern with SSN misuse and identity theft is reflected in the large number of allegations the SSA/OIG Fraud Hotline receives annually. In FY 2001, over 56 percent of the 115,101 allegations involved SSN misuse and/or identity theft. The growth of these numbers is only limited by our capacity to answer the calls. We believe identity theft is a significant problem, and it is growing. We anticipate the complaints will increase unless SSA and Congress take firm actions to regulate the uses of SSNs.

The most common types of identity theft crimes reported are credit card fraud; unauthorized attainment of utility services; bank account and loan fraud; use of counterfeit Government documents; and fraudulent attainment of Government benefits, such as Social Security and Supplemental Security Income. Identity theft crimes affect individuals, Government agencies, and private companies, often causing tremendous losses. To successfully address identity theft, we believe SSA must focus on three stages of protection: upon issuance of the SSN card, during the life of the SSN holder, and upon the SSN holder's death.

Given the tragic events of September 11, 2001, failure to protect the SSN's integrity can have enormous consequences for our Nation and its citizens. Now more than ever, SSA must be particularly cautious in striking a balance between serving the public and SSN integrity. We recognize that increased SSN integrity measures will impact the time necessary to process SSN applications. However, we believe the Agency has a duty to the American public to safeguard the integrity of the enumeration process. Given the magnitude of SSN misuse, we believe SSA must employ effective front-end controls in its enumeration process. Likewise, additional techniques, such as data mining, Biometrics, and enhanced systems controls are critical in the fight against SSN misuse.

To effectively combat SSN misuse and identity theft, we believe SSA should take the following steps.

- Obtain independent verification from the issuing agency (for example, the Immigration and Naturalization Service and State Department) for all evidentiary documents submitted by noncitizens before issuing an original SSN.
- Establish a reasonable threshold for the number of replacement SSN cards an individual may obtain during a year and over a lifetime.



- Expedite systems controls that would interrupt SSN assignment when SSA mails multiple cards to common addresses or when parents claim an improbably large number of children.
- Continue to educate SSA staff about counterfeit documents.
- Additionally, as we reported to Congress, we believe Congress and SSA should consider the following steps.
- Increase the number of investigative and enforcement resources provided for SSN misuse and identity theft cases.
- Expand the Agency's data matching activities with other Federal, State, and local Government entities.
- Explore the use of other innovative technologies, such as Biometrics, in the enumeration process.

In FY 2003, we plan to complete four reviews and begin five reviews in this area.

*We plan to complete the following reviews in FY 2003*

Review of the Social Security Number Feedback Pilot Project	1
President's Council on Integrity and Efficiency Roll-up Report on Controls over the Use and Protection of Social Security Numbers By Federal Agencies	2
Social Security Administration Controls over the Access, Disclosure and Use of Social Security Numbers by External Entities	3
Internal Control Review over the Processing of Social Security Number Cards at the National Computer Center	4

*We plan to begin the following reviews in FY 2003*

Social Security Numbers with More than One Owner	
Review of the Social Security Administration's Implementation of Enumeration Task Force Initiatives	
Multiple Social Security Number Cards Issued After Death	
Follow-up Review of Assignment of Original Social Security Numbers to Foreign-Born Individuals Who Present Invalid Evidentiary Documents	
Analysis of Returned Social Security Number Cards	

# ***Review of the Social Security Number Feedback Pilot Project***

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## **Planned Start**

Carry Over

## **Objective**

To determine (1) the status of SSA's evaluation of its joint pilot with the Office of Child Support and Enforcement (OCSE) to verify employees' SSN and (2) whether the pilot can assist SSA's efforts to reduce the Earnings Suspense File (ESF).

## **Background**

The goal of the SSN Feedback Pilot Project is to promptly inform employers when they submit a new hire report that includes an incorrect name and SSN combination. The SSN Feedback Pilot Project is a joint effort between SSA and OCSE. The Project was initially conducted with two pilot States—Massachusetts and Illinois.

To determine whether the name and SSN combination submitted is correct, SSA compares the record with its record and with its files of correct SSNs. When an employer submits an incorrect name and SSN combination, SSA directly notifies the employer. Employers are not required to submit another new hire report, but they are asked to correct their records so future wage filings to State and Federal agencies will contain accurate data.

This pilot began in the spring of 1999 in Illinois and Massachusetts and was meant to continue for 1 year. Since 1999, SSA and OCSE have worked with the pilot States and employers to evaluate the benefits and costs of this early notification system.

# ***President's Council on Integrity and Efficiency Roll-up Report on Controls over the Use and Protection of Social Security Numbers By Federal Agencies***

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## **Planned Start**

Carry Over

## **Objective**

To assess controls over the use and protection of SSNs by Federal agencies. Specifically, each participating OIG will determine whether their respective agency (1) makes legal and informed disclosures of SSNs to third parties; (2) has appropriate controls over contractors' access and use of SSNs; (3) has appropriate controls over other entities' access and use of SSNs; and (4) has adequate controls over access to individuals' SSNs maintained in its databases. In addition, each OIG will identify what additional steps its parent agency can take to ensure it has adequate controls over the use and protection of SSNs.

## **Background**

The expanded use of the SSN as a national identifier provides a tempting motive for many unscrupulous individuals to acquire an SSN and use it for illegal purposes. While no one can fully prevent SSN misuse, Federal agencies have some responsibility to limit the risk of unauthorized disclosure of SSN information. To that end, the Chairman of the House Committee on Ways and Means, Subcommittee on Social Security, asked SSA/OIG and the President's Council on Integrity and Efficiency to look across Government at the way Federal agencies disseminate and control the SSN.



# ***Social Security Administration Controls over the Access, Disclosure and Use of Social Security Numbers by External Entities***

## **Planned Start**

Carry Over

## **Objective**

To assess SSA controls over the access, disclosure and use of SSNs by external entities.

## **Background**

The expanded use of the SSN as a national identifier provides a tempting motive for many unscrupulous individuals to acquire an SSN and use it for illegal purposes. While no one can fully prevent SSN misuse, Federal agencies have some responsibility to limit the risk of unauthorized disclosure of SSN information. To that end, the Chairman of the House Committee on Ways and Means, Subcommittee on Social Security, asked the SSA OIG to look across Government at the way Federal agencies disseminate and control SSNs. This audit will focus on SSA controls over the access, disclosure and use of SSNs by external entities.

# ***Internal Control Review over the Processing of Social Security Number Cards at the National Computer Center***

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## **Planned Start**

Carry Over

## **Objective**

To assess the adequacy of internal controls over the processing of SSN cards at the National Computer Center.

## **Background**

SSN cards are issued daily. Approximately 18 million cards are issued to recipients on an annual basis. Because SSNs are necessary to obtain employment and Social Security benefits, the SSN card is printed with a number of security features to prevent the card from being fraudulently duplicated.

To minimize the risk of theft or misuse of the SSN cards, strong internal controls are needed to monitor the processing of the cards during the normal day-to-day operations. We will review the receipt of card stock, printing of SSN cards and the distribution of the cards. Our review will determine if the internal controls in place provide reasonable assurance that SSN cards are adequately safeguarded.

# ***Integrity of the Representative Payee Process***

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*Given the risk of representative payee misuse and the vulnerability of the beneficiaries, it is imperative that SSA have appropriate safeguards to ensure representative payees meet their responsibilities to use the funds for the beneficiaries' benefit.*

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. While Representative Payees (Rep Payee) provide a valuable service for beneficiaries, SSA must employ appropriate safeguards to ensure they meet their responsibilities to the beneficiaries they serve.

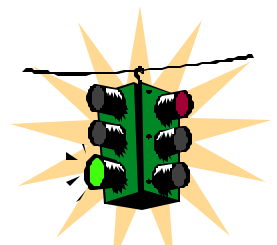
Congress granted SSA the authority to appoint Rep Payees to receive and manage these beneficiaries' payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for OASDI beneficiaries or SSI recipients when representative payments would serve the individuals' interests. Rep Payees are responsible for using benefits in the beneficiary or recipient's best interests. There are about 5.4 million Rep Payees who manage benefits for about 7.6 million beneficiaries.

Since FY 2001, we have performed 13 financial-related audits of Rep Payees. Our audit results showed that Rep Payees did not always meet their responsibilities to the beneficiaries they served. We identified deficiencies with the financial management of, and accounting for, benefit receipts and disbursements; vulnerabilities in the safeguarding of beneficiary payments; poor monitoring and reporting to SSA of changes in beneficiary circumstances; inappropriate handling of beneficiary-conserved funds; and improper charging of fees.

We continue to identify problems with SSA's oversight of Rep Payees. For example, in March 2001, we alerted SSA to a condition whereby individuals were serving as Rep Payees who also had a Rep Payee to manage their own Social Security benefits. SSA subsequently identified approximately 3,800 instances where this had occurred. We also identified 121 individuals whose own benefit payments were stopped by SSA because they were fugitive felons or parole or probation violators. However, SSA's policy still permits these individuals to serve as Rep Payees.

In FY 2000 SSA established a Rep Payee Task Force to perform a comprehensive review of the features and vulnerabilities of the Rep Payee program. The Task Force is comprised of three subgroups concentrating on monitoring Rep Payees; systems support for the Rep Payee program; and bonding and licensing of Rep Payees.

In FY 2003, we plan to complete 14 reviews and begin 7 reviews in this area.



*We plan to complete the following reviews in FY 2003*

Controls for Concurrently Entitled Social Security Administration Beneficiaries with Representative Payees	1
Financial-Related Audit of a Representative Payee--Region I	2
Financial-Related Audit of a Representative --Region II	3
Financial-Related Audit of a Representative Payee--Region V	4
Financial-Related Audit of a Representative Payee--Region VII	5
Financial-Related Audit of a Representative Payee--Region IX	6
Financial-Related Audit of a Representative Payee—Region IX	7
Financial-Related Audit of a Representative Payee—Region III	8
Financial-Related Audit of a Representative Payee—Region VI	9
Financial-Related Audit of a Representative Payee—Region X	10
Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of Public Law 104-193	11
Screening of Representative Payees for Fugitive Warrants	12
The Social Security Administration's Site Reviews of Representative Payees	13
The Social Security Administration's Collection of Title II Overpayments Made to Representative Payees	14

*We plan to begin the following reviews in FY 2003*

Chesapeake Consulting, Inc., Review of the Social Security Administration's Representative Payee Site Review Program	
Suitability of Representative Payees	
Review of Social Security Administration Employees Serving as Representative Payees	
Financial-Related Audit of a Representative Payee—We plan to begin six reviews in this area	
Summary Report of Financial-Related Audits Conducted During FY 2003 of Representative Payees of the Social Security Administration	
Recipients with Certain Impairments Who Do Not Have Rep Payees	
Convicted Felons Serving as Representative Payees	

# ***Controls for Concurrently Entitled Social Security Administration Beneficiaries with Representative Payees***

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## **Planned Start**

3<sup>rd</sup> Quarter FY 2003

## **Objective**

To determine and evaluate the effectiveness of SSA's controls to prevent different representative payees (Rep Payees) for concurrently entitled SSA beneficiaries.

## **Background**

Each year, SSA pays benefits to beneficiaries through the title II and title XVI programs. Most beneficiaries receive benefits from only one program. Concurrently entitled beneficiaries, however, receive benefits from both programs. Policy requires personnel to appoint one Rep Payee for all benefits to which the beneficiary is entitled unless there is a compelling reason to do otherwise. Also, to document each claims file with the reason for naming different Rep Payees in rare instances where different Rep Payees will be appointed for a beneficiary who is entitled to more than one benefit. Where different Rep Payees are appointed for a beneficiary who is entitled to more than one benefit, field offices should prepare a diary for a manual accounting report to be obtained on the title II claim, when appropriate, because the system only sends an accounting report to the title XVI Rep Payee.

# ***Financial-Related Audit of a Representative Payee-- Region I***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee— Region II***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee-- Region V***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.



# ***Financial-Related Audit of a Representative Payee-- Region VII***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee-- Region IX***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee— Region IX***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee— Region III***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee— Region VI***

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## **Planned Start**

Carry Over

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Financial-Related Audit of a Representative Payee— Region X***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine whether the representative payee

1. has effective safeguards over the receipt and disbursement of Social Security benefits and
2. uses and accounts for Social Security benefits in accordance with SSA policies and procedures.

## **Background**

SSA provides benefits to the most vulnerable members of society—the young, the elderly, and the disabled. Congress granted SSA the authority to appoint representative payees for those beneficiaries judged incapable of managing or directing the management of their benefits.

Representative payees (organizations or individuals) receive and manage payments on behalf of these beneficiaries. Given the risk a representative payee may misuse funds and the vulnerability of the beneficiaries, it is imperative that SSA has appropriate safeguards to ensure that representative payees meet their responsibilities.

# ***Identifying Representative Payees Who Had Their Own Benefits Suspended Under the Fugitive Provisions of Public Law 104-193***

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## **Planned Start**

Carry Over

## **Objective**

To identify fugitives whose Supplemental Security Income (SSI) payments were suspended under Public Law 104-193 but who continue to serve as representative payees (Rep Payee) and manage Social Security funds for other beneficiaries.

## **Background**

The decision to make payment through a Rep Payee is serious since it deprives the beneficiary of direct control over his/her finances and may affect his/her manner of living. Therefore, Congress requires that SSA exercise extreme care in determining that a Rep Payee is needed, selecting a Rep Payee, and monitoring the Rep Payee's performance.

SSA has a legal and moral obligation to review the performance and continued suitability of all those appointed to serve as Rep Payees. While having a criminal history is not an absolute bar to serving as a Rep Payee, it is a strong indication the individual may no longer be suitable to act in that capacity. Furthermore, according to SSA's policies and procedures, if the Rep Payee applicant is a convicted felon, SSA staff should look for an alternative Rep Payee and/or make direct payment to the beneficiary unless direct payment is prohibited.

With the enactment of P.L. 104-193 in August 1996, fugitive felons and parole and probation violators are no longer eligible to receive SSI payments. To identify SSI recipients who are fugitives, SSA matches Federal, State, and local law enforcement fugitive data against its SSI payment records. When SSI recipients are found to be fugitives, SSA stops their payments and assesses an overpayment for the amount of SSI payments incorrectly paid.

SSA periodically matches prisoner and Rep Payee records to identify unsuitable Rep Payees and protect the beneficiaries and recipients from potential abuse by these Rep Payees. However, SSA does not have a similar program to identify and replace fugitives who are Rep Payees.

We identified 121 fugitives whose SSI payments were stopped under P.L. 104-193, but who continued to serve as Rep Payees and managed over \$1.4 million in Social Security funds for 161 beneficiaries. We estimate these fugitives will manage an additional \$634,306 in Social Security funds as Rep Payees over the next 12 months if they are not replaced with more suitable payees.

# ***Screening of Representative Payees for Fugitive Warrants***

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## **Planned Start**

Carry Over

## **Objective**

To identify fugitive felons who are representative payees (Rep Payee).

## **Background**

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint Rep Payees to receive and manage these beneficiaries and recipients' benefit payments. A Rep Payee may be an individual or an organization. SSA selects Rep Payees for Old-Age, Survivors and Disability Insurance beneficiaries or Supplemental Security Income recipients when representative payments would serve the individual's interests.

Rep Payees are responsible for using benefits to serve the best interests of the beneficiary or recipient. We believe that a fugitive is not in a position to manage a beneficiary/recipients' funds and meet the above duties.



# ***The Social Security Administration's Site Reviews of Representative Payees***

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## **Planned Start**

Carry Over

## **Objective**

To assess the site review methodology, evaluate the sufficiency and reliability of the documentation that supports the conclusions and recommendations made during the reviews, test for compliance with SSA site review requirements, and determine whether SSA takes appropriate follow-up action to ensure identified deficiencies are corrected.

## **Background**

Beginning in FY 2000, SSA initiated Triennial Site Reviews of all fee-for-service representative payees (Rep Payee), organizational Rep Payees serving more than 100 beneficiaries and individual Rep Payees serving more than 20 beneficiaries. The site reviews are to ensure Rep Payee compliance through a face-to-face meeting and examination of a sample of beneficiary records; expenses may be corroborated with providers of the services they provide to the beneficiary. The review will include an assessment of the Rep Payee's recordkeeping and may include beneficiary interviews. SSA anticipated that an added benefit of this initiative would be that lines of communication between SSA and the Rep Payee would be improved as well.

# ***The Social Security Administration's Collection of Title II Overpayments Made to Representative Payees***

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## **Planned Start**

1<sup>st</sup> Quarter FY 2003

## **Objective**

To determine the effectiveness of the SSA's title II overpayment collection efforts for payments issued to representative payees after the beneficiary's death.

## **Background**

SSA administers two programs under the Social Security Act: title II and title XVI. These programs provide monthly benefit payments of about \$30 billion to over 50 million beneficiaries and recipients.

SSA relies on representative payees to notify SSA of events that affect the beneficiary's entitlement. These events can include marriage, a change in living arrangements, death, or incarceration. If a representative payee fails to notify SSA in a timely manner of these events, an overpayment of benefits can result. It is SSA's responsibility to identify the overpayment and to pursue recovery of the debt. This recovery process is made more difficult when the beneficiary or recipient receives benefits through the representative payee.

A prior audit reported approximately \$41 million in overpayments made to rep payees after the deaths of their beneficiaries, SSA recovered \$13 million of the debt, most overpaid payees were relatives, and SSA lacked enforcement authority to recover overpayments from representative payees.